

# THE ROUND TABLE

A QUARTERLY REVIEW OF THE  
POLITICS OF THE BRITISH COMMONWEALTH

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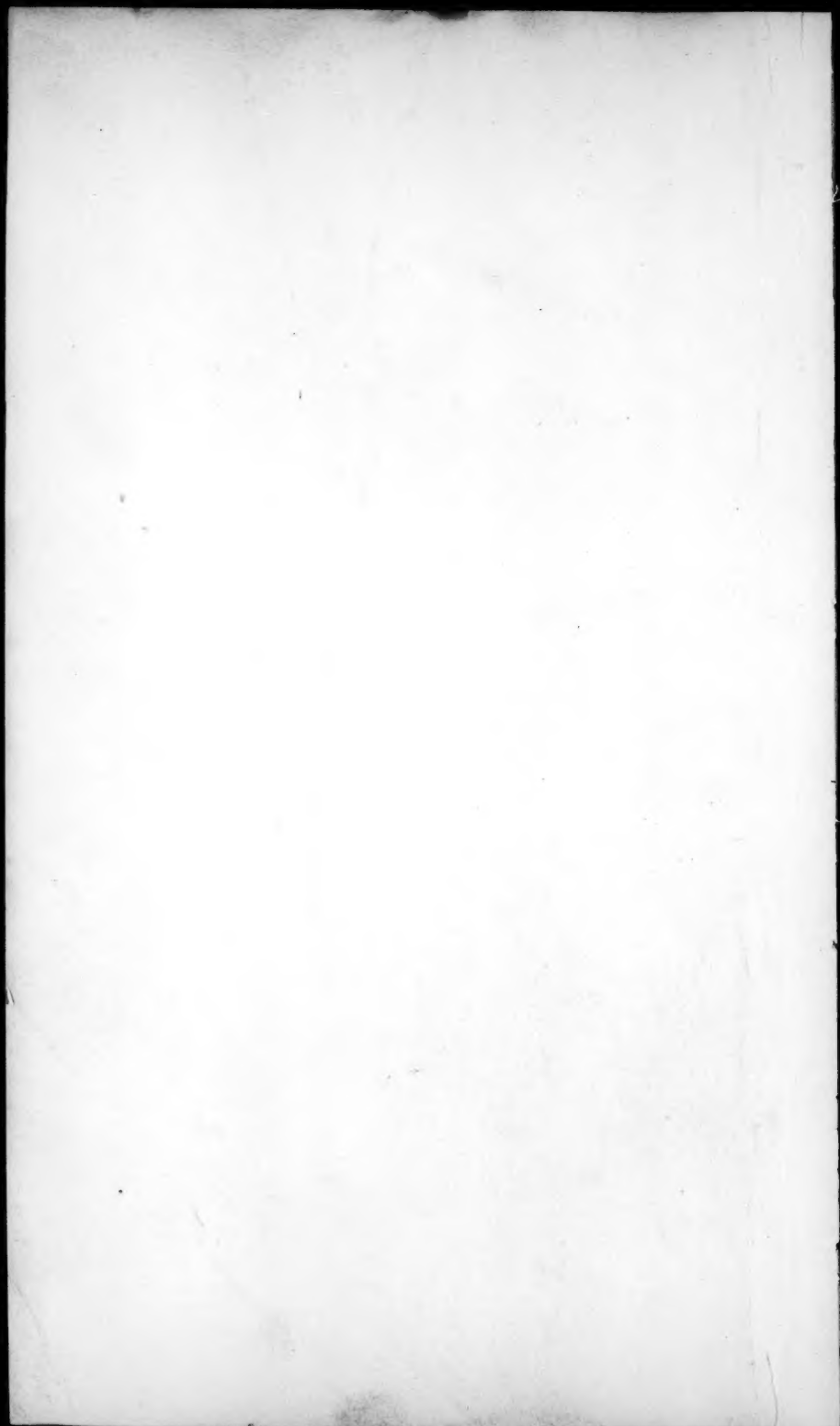
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## THE IMPERIAL CONFERENCE

IN the last issue of this review an article was published dealing with the changes which had come about in the general situation of the British Commonwealth, since 1914, and discussing the fundamental problems which lay before its peoples. In this article it is not proposed to traverse the ground there explored, but to examine some of the practical problems which will confront the Imperial Conference and the Economic Conference, when they meet in October next. No attempt will be made to discuss the whole agenda before the Conference. It is only with its more important features that this article is concerned.

### I. FOREIGN POLICY

IT was in 1911, after the crisis of Agadir, that for the first time a complete survey of the international problems of the British Commonwealth was presented by the Secretary of State for Foreign Affairs to the Imperial Conference. Events thereafter, under the dire necessity of war, moved rapidly, until by 1918 the supreme direction of British international policy was avowedly in the hands of the Imperial War Cabinet, consisting of the heads of the Governments of the self-governing nations that form the Commonwealth, and of certain other Ministers, and of representatives of India. Since 1920, however, events have moved almost as rapidly back towards pre-war practice. Little interest has been taken in the overseas portions of the Commonwealth in foreign affairs, and to-day consultation about policy, by cable and despatch, is almost perfunctory.

None the less, foreign policy continues to be the most important subject before the peoples of the Commonwealth, for it is out of foreign policy that wars come and it is only by pursuing continuously a sound foreign policy, not by sitting with folded hands and doing nothing, that peace can be maintained. Moreover, the war has shown that it

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is no longer possible for any community, however remote, to remain isolated from international complications. The world has become so small and the nations so inter-related, owing to the discovery of new uses for steam, electricity and oil, that the major conflicts of mankind speedily involve all nations, first economically and then politically. It is becoming clearer every day that the only road to lasting peace in the modern world is that all peoples who claim to stand in the van of human progress should actively co-operate in trying to solve menacing international problems and work towards the establishment of some kind of international law and order on the earth.

For the moment, however, there is a universal reaction from the intensive international co-operation which prevailed during and immediately after the war, though there are signs that the United States is now beginning to think seriously once more about international affairs. There is, however, no likelihood of any marked change in her policy until after the Presidential election of 1924. It is, therefore, with a series of practical problems that the Imperial Conference will find itself called upon to deal. These are, briefly, Europe, the Near East, and the difficulties with the United States over prohibition. There is no other matter of moment, save perhaps chaos in China, which is dealt with elsewhere in this number, for the Pacific is for the time being settled by the Washington treaties.

So far as Europe is concerned, this article will not deal with reparations, the Ruhr, and other current controversies, partly because they are also discussed in special articles, and partly because there is a more important issue for the Conference than what is the next step to take in the present European tangle.

There is no doubt that there is a considerable divergence between what might be called the New World and the Old World point of view about the general direction of British policy towards Europe. Thanks to twenty miles of silver sea, Great Britain, since the loss of the Plantagenet

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dominions, has never been part of any permanent European political system. But also because of her geographical propinquity she has never been able to disembarrass herself of its affairs. From time to time conditions have arisen in Europe, as they did under Philip II. of Spain, under Louis XIV. of France, under Napoleon, and lately under William II. of Germany, which threatened her own liberty as well as that of Europe, which forced her actively to intervene. But after every such intervention she has returned to her traditional policy of standing apart from the seething complex of European politics. At present she is being driven once more in this direction, though she is still striving to straighten out European chaos because of its effect upon unemployment at home. The Dominions, on the other hand, and India, are far removed from Europe. They, too, are affected economically by European chaos, but, save at exceptional times, as in 1914, their political interest in Europe is, by comparison, small. It is aroused only when European politics affect the well-being of the Commonwealth as a whole.

The most important question that the Imperial Conference will have to consider is the future relations of the British Commonwealth to Europe. It can probably do little about the immediate situation over reparations or the Ruhr or Russia, for conditions change there from day to day, and because they are mainly under the control of other Governments. But it can and ought to determine quite clearly whether the British Government can accept any solution which involves the Commonwealth in any kind of permanent political commitments in Europe. That question has never been clearly considered since 1909, the date when the new German naval programme finally convinced Great Britain that the old menace from European autocracy had revived. Before the war, Great Britain's only actual treaty obligation was to defend the neutrality of Belgium. But after 1904 there was an *entente cordiale* with France, implying a common interest

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in resisting German aggression but involving no actual commitments. On the outbreak of the war the *entente* developed into the quadruple alliance between Britain, France, Russia, and, later, Italy. In 1919 a proposal was made and accepted for a treaty of guarantee to France by the British Commonwealth and the United States against unprovoked aggression by Germany. That treaty, however, lapsed with its rejection by the Senate of the United States. At one time Great Britain would probably have been willing to go on with it alone—as was proposed at Cannes. But the recent policy of France has probably destroyed all chance of any such guarantee being given, and has reduced even the *entente cordiale* to a very slender tie. At the same time proposals are frequently made for new political combinations for the maintenance of European peace of which Great Britain is to be a member, and the idea is often put forward that the final solution of the reparation-Ruhr controversy will take the form of an international guarantee of the neutrality of the Rhineland to which Great Britain will be a party, to say nothing of an inter-allied supervision of German finances.

It is vital, amid these shifting sands, that we should see clearly just where we are going, and the first question to be determined is this, is any such policy one into which the Commonwealth as a whole should enter? All international arrangements such as these are designed to prevent war, but they also involve the risk of war, and British commitments in Europe in the past have often ended in war. Such commitments to-day, as the war showed, involve the Dominions no less than Great Britain. The Dominions will certainly no longer give Great Britain a blank cheque to do the best she can. They will regard themselves as bound by no policy to which their Parliaments have not given their assent. Is, then, the solution that Great Britain should carry on with the precedent of the guarantee treaty of 1919 and sign obligations which may involve her in the liability to go to war, while the

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Dominions are to be left free to dissociate themselves from all the consequences? That is certainly one solution of the difficulty—the solution which, as we shall see, will end the British Commonwealth of Nations when the next serious international crisis arises. The other is that Great Britain should enter into no foreign commitments to which the Dominions are not also willing to subscribe, and vice versa, and that British foreign policy should be one which the whole Commonwealth is willing to support. That seems to THE ROUND TABLE the only possible solution. But it leads far further than at first sight appears.

Looking at the international situation from the Commonwealth and not merely the British standpoint, there are certain general ideas which seem to stand out and which it is worth while to set forth.

1. The first is that the foreign policy of the Commonwealth must be one. It cannot be a foreign policy which suits Great Britain alone, or Australia, or Canada alone. It must be one which is designed to preserve the peace and security of the whole Commonwealth and which has the intelligent support of all its parts. Unless this is so the next serious international crisis may lay the Commonwealth in ruins. It is now a commonplace of Imperial politics that no part of the Commonwealth can be committed to war save by its own Parliament. That means that in any war of importance in which any nation within the Commonwealth is involved, the other members can only escape the obligations and liabilities of the status of belligerency by seceding from the Commonwealth. If, therefore, Great Britain or Canada or Australia is to become involved in disputes or commitments not approved of or accepted by the other members, it is inevitable that if war arose, as a result, the only alternative to participation in the conflict in some way would be a declaration of neutrality which could only be made effective by a notice of secession.

It is no solution that the other parts of the Commonwealth should "consent" to Great Britain assuming

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obligations by herself. That is simply dangerous camouflage, as can be seen by considering the consequences of the treaty of guarantee to France of 1919. This treaty provided that it should be binding on the Dominions only if it were ratified by them. In point of fact, it was ratified only by Australia and New Zealand. Had it come into force, and had the course of events given to France the right to invoke the *casus foederis*, what would have happened? Presumably, Australia and New Zealand would have fulfilled their promise. But Canada and South Africa would have replied that they were under no obligation to take part in the war, for they had given notice of their intention not to assume the obligation, at the time, by declining to ratify the treaty. Yet how could they make good their rights, and escape the consequences of belligerency to their nationals and trade, save by a declaration of secession? It is surely obvious that the precedent of the treaty of 1919 is far too dangerous to be repeated. For Great Britain to enter into foreign commitments in Europe, or any of the other Dominions elsewhere, to which the rest of the Commonwealth does not either consent or subscribe, is to start a process which must lead to frequent violent controversy and tension within the Commonwealth and may end in its disruption. If the Commonwealth is to persist it will be because its policy represents the views and interests and has the active and intelligent support of every part.

But if British foreign policy is to be truly a Commonwealth policy it is essential that in the formulation of it, the opinions and interests of the Dominions and India should have as full weight as those of Great Britain, even though Great Britain is left to undertake the major share of the responsibility for executing the policy so agreed. There is a tendency sometimes in England to think that people in London know all about foreign policy and that the Dominions know little or nothing. We entirely dissent from this view. It is probably true that Londoners are more familiar with the facts and the details. But they are,



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in consequence, liable to be obsessed by that knowledge. Moreover, they inevitably tend to take too European a view. They are often not able to see the international wood because of the European trees. Outsiders sometimes see most of the game, and the Dominions can bring to the consideration of international problems not only an intimate knowledge of conditions in other continents, but a fresh and dispassionate outlook, which can be of inestimable value. Not the least of the services which the Imperial Conference can render to the Commonwealth is to bring some fresh air into the corridors of Downing Street and by preventing British foreign policy falling unduly under the point of view of Great Britain, ensure that it is one which represents the interests and has the support of the Commonwealth as a whole.

2. Directly, however, we consider foreign policy from the standpoint of the Commonwealth as a whole, the difficulty in the way of entering into any permanent commitments in Europe begins to appear. The Commonwealth contains more people and more territory than Europe. It is scattered all over the globe. Its frontiers are great mountains, sun-stricken deserts, and the seven seas. It is inseparably involved in all world problems, the problems which are properly the concern of the League of Nations. But it is not involved with the internal problems of Europe to a greater extent than with the internal problems of any other continent, except in so far as they have effects external to Europe itself. Indeed, it is less involved, because Europe is the only continent on whose mainland it has not a foot of territory. It is conceivable that Great Britain by herself might be induced to join some form of European alliance, though that is contrary to her oldest traditions. But it is certain that none of the Dominions would consent to do so—and the policy of the Commonwealth must be one which commands the approval of all.

This does not mean, of course, that it is not concerned

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with European chaos. It obviously is, especially so long as that chaos means a continuance of unemployment and bad trade, or threatens fresh wars. But it does seem to mean that the efforts of the Commonwealth to compose European problems should take the form of the normal good offices of diplomacy or co-operation through the League of Nations, and not of fresh *ententes* or alliances or guarantees. The British Commonwealth has colossal problems of its own—the reconciliation of unity with national freedom within itself, the development of self-government in Asiatic and African territories, the bridging of the barrier of colour, the interpretation of East and West to one another. It certainly will not help it to solve these problems for it to become needlessly involved in the purely internal problems of Europe as well. There seems to be a *prima facie* necessity from the point of view of imperial unity for a return to the traditional policy of avoiding entanglement in what Sir Wilfrid Laurier called the “vortex of European militarism,” and to confine our efforts to promoting appeasement and reconstruction from a detached position outside.

3. This policy also seems to be best for Europe. The European problem will never be solved by intervention from without. It must come from unity within. The inevitable consequence of the traditional European system in breeding armaments and war has repeatedly been set forth in the pages of this review. It is certain that as long as the peoples of Europe remain divided into water-tight compartments, hating one another, jealous of one another, and determined not to co-operate on a friendly basis with one another, they will be devastated by chronic war. The old sequence of competitive armaments, military alliances, the struggle for the balance of power, and the crash of Armageddon will inevitably reappear.

It will serve no European purpose, and no British purpose, that we should become involved in any attempt to stabilise this complex of hates, suspicions and fears by



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entering into new alliances, *ententes* or guarantees. The real solution of the European problem is that its peoples should recognise that if they want peace and security it will not be got by leaning on others, but by making steady progress for themselves along the road that leads to unity. That this road of self-help is difficult no one can gainsay. That it is for all time impossible, no one, who has studied the union of Scots and English, of the thirteen States of the United States, of French and English in Canada, of Dutch and English in South Africa, and of Germans and French and Italians in Switzerland, can confidently affirm. At any rate, it seems clear that the British Commonwealth can do more for Europe by helping it towards internal reconciliation and unity than by participating in any new attempt to maintain peace on the basis of the ascendancy of any political group within it, or of a fresh balance of power.

4. It is also worth while considering whether what is necessary for the Commonwealth is not also necessary for the League of Nations if the League is ever to take its true position. The proper function of the League is to be the forum for the discussion of world problems. There its value can be immense, for it can bring people together who otherwise would never meet, and help to lift them out of that purely self-centred and nationalist point of view which is the prime cause of international discord. But it is not the proper function of the League to govern Europe. Nor can a world League ever succeed in doing so. Europe ought to handle its own internal problems for itself, and for the League to attempt to do the work may become a positive hindrance to Europe assuming responsibility for its own affairs. Moreover, until the League is to some extent disentangled from the internal affairs of Europe it does not seem likely that it can ever become a League of all Nations. It is evident that the United States will not join the League so long as almost its whole work is to deal with the chronic internal disputes of a Balkanised Europe, while Germany and Russia will not join it if it is to be

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treated as an engine for the literal enforcement of the treaties of peace. World questions and European questions really fall into separate categories, though they often overlap. Once the two are distinguished it is likely that both Europe and the League will make better progress towards prosperity and peace.

So much for the question of the general trend of Commonwealth foreign policy in its relation to Europe and the League of Nations. There remain the international issues involved in the enforcement of prohibition, and the problem of Turkey and the Near East. As to prohibition, the problem ought not to be difficult of solution if it is handled in a reasonable and friendly temper. Temperance reform, whether in the form of prohibition or not, is clearly a matter exclusively within the control of every national State. The United States is clearly within its rights in passing national prohibition and in taking strong measures to enforce observance of the law within its own territory. It is an heroic attempt to grapple with a grave social problem, and, whether we think the methods it has adopted wise or not, it is certainly not for other nations to object. On the other hand, the United States clearly has no right to try and impose its own laws upon other nations or to take technical advantage of its own Constitution to embarrass the legitimate activities of the nationals of other Powers. That is to attempt to bring about moral advance by methods of autocracy, which all history proves have invariably failed of their purpose. But it is equally clear that other nations ought scrupulously to refrain from aiding and abetting those who are trying by unlawful means to break down the operation of the law of the land. If foreign countries have some legitimate complaint to make about the manner in which the United States is endeavouring to force their ships to travel "dry" upon the high seas, instead of availing itself of reasonable precautions to prevent foreign ships disposing of liquor when in American ports, the United States has some legitimate ground for

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complaint in the persistence with which foreign ships, and notably ships flying the British flag and operating from British ports in the Bahamas and elsewhere, are engaged in transporting liquor to the three-mile limit in convoys, for disposal to bootleggers and other violators of American law. We have always complained that France, standing on a strait and narrow interpretation of international law, has never taken steps to help us to put down the arms traffic in the Persian Gulf. The people of the United States similarly complain that they can get very little co-operation from us in their effort to put down the illegitimate liquor traffic which is carried on by British citizens, in British ships, and from British ports.

There are difficulties, no doubt, in the way. The powers of any British Government over its own nationals on the high seas are small. It is clearly, too, the primary duty of every nation to enforce its own laws for itself. But a policy of pure *laissez-faire* on the one side is only likely to encourage fanatical enforcement on the other. The question is important not because it is likely to estrange the two Governments, but because it is the sort of issue which arouses bitter and resentful feelings in the body of democratic opinion. There is no use ignoring the fact that there is a good deal of popular feeling on this matter on both sides of the Atlantic. It ought not to be allowed to develop, and the way to prevent it from developing is for the two Governments to face the issues and arrive at a reasonable agreement on some such lines as those proposed by Lord Birkenhead as soon as possible.\* In this work Canada can play a leading part. She understands the American point of view better than we do. She is largely

\* Lord Birkenhead, in a letter to *The Times*, dated July 11, suggests a convention on the following lines: Both America and Great Britain would recognise and reaffirm the binding force of the three-mile limit rule. Great Britain, however, would, to enable the U.S.A. Government to deal with bootlegging, concede to it for a limited period the right, without prejudice to the maintenance of the rule, to treat the limit round the American coast as if twelve miles were the international rule.

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a prohibition country herself. Mr. Mackenzie King might do well to raise the question in the Imperial Conference.

The only other problem that is likely to arise is that of the Mediterranean. In it there are two main elements. The first is Turkey. The fundamental point for the Imperial Conference is not the general terms of the peace which was concluded on July 24, 1923, but the future responsibilities which the British Commonwealth is to assume in connection with it. The treaty which has been signed with Turkey contains, among others, the following provision :—

Should the freedom of navigation of the Straits or the security of the demilitarised zones\* be imperilled by a violation of the provisions relating to freedom of passage, or by a surprise attack or some act of war or threat of war, the High Contracting Parties, and in any case France, Great Britain, Italy and Japan, acting in conjunction, will meet such violation, attack, or other act of war or threat of war, by all the means that the Council of the League of Nations may decide for this purpose.

On the general merits of the policy of guarantee, this article cannot pretend to express an opinion. We are not sufficiently familiar with the details of the local situation. But it is clear that such a guarantee as is set out above may carry with it formidable obligations. The British Empire is one of the ten High Contracting Parties to it. There is, however, as will be noticed, a saving proviso which imposes a special degree of responsibility on three of the High Contracting Parties, France, Italy and Japan, and also on Great Britain (not the British Empire) who agree, acting in conjunction, *in any case* to carry out the obligations of the guarantee. The existence of this special proviso must not, however, obscure the real point for the Imperial Conference, which is, as has been pointed out in the case of Europe, whether the Commonwealth as a whole is willing to assume these obligations. If not, as the Chanak incident significantly showed, situations very

\* These demilitarised zones include both shores of the Dardanelles and the Bosphorus and certain islands in the Sea of Marmora and the *Ægean*.

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dangerous to the unity of the Commonwealth may ensue. There was certainly much to be said for our ancient tradition of mounting guard outside the Dardanelles but avoiding commitments as far as we could in the territory itself. In this instance the decision as to the means by which the guarantee is to be enforced depends not upon the guarantors, but upon the Council of the League of Nations.

Similarly with Egypt. The Egyptian question was fully discussed at the Conference of Prime Ministers in 1921, and there has been no considerable change in the situation since, save that an Egyptian constitution has been brought into being. But the settlement of the relations between the constitutional Government of Egypt and the British Government, especially in regard to the Suez Canal, are of vital importance to Australia and New Zealand and India, and of some importance to South Africa. That also is a matter which the Conference ought to discuss, in order that an agreed point of view may be reached.

## II. DIPLOMACY

THE general direction of Commonwealth policy is likely to be the main preoccupation of the Imperial Conference in the sphere of foreign policy. But the question of machinery comes only next to it in importance. In the last issue of *THE ROUND TABLE*\* extracts were quoted from the speeches of leaders of opinion in the Dominions showing that there was a striking unanimity of view that the present system of consultation had broken down, and that some change must be made. The Chanak incident revealed to the public eye what students had long foreseen, that directly the war was over we should drift back to the pre-war system whereby the control of foreign policy and the chief burden of responsibility would be in the hands of Great Britain, while the Dominions, in theory, and under the constitution equal partners, would, in fact,

\* *THE ROUND TABLE*, No. 51, June, 1923, p. 475.

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share neither in the control nor the responsibility. In the earlier part of the present article we have endeavoured to show how impossible it is for the system to continue under which Great Britain entered into commitments which the Dominions endorsed or not, as they pleased, and how vital it is that foreign policy in future should be one of which the whole Commonwealth approves.

During the war all these difficulties were obviated by the existence of the Imperial War Cabinet. The present unsatisfactory state of affairs, with the unequal distribution alike of responsibility and control, have come about through no deliberate decision but by the pressure of necessity and fact. The overseas Prime Ministers have gone home, and the Dominions, so far from wanting to follow foreign policy, became chiefly concerned, once the German menace had disappeared, and the Far Eastern situation had been temporarily stabilised by the Washington treaties, to be left alone to get on with the task of their own internal development. And these are the facts with which we have to deal to-day.

Accordingly, in the June number of *THE ROUND TABLE* it was suggested that the needs of the moment could best be met, not by any organic change or by stationary Dominion Ministers in London, but by modifying the existing ineffective system of inter-Imperial communication into one of a quasi-diplomatic kind. The real need to-day is that every national Government within the Commonwealth should have agents in London, and, if possible, in each of the other capitals of the Empire, who are specially trained in political and international observation, who do not change with party Governments, of a standing and with pay to enable them to consort with Ministers and ambassadors on equal terms, and whose whole business it should be to maintain touch with the British Secretaries of State, with ambassadors and foreign representatives, and with imperial and foreign affairs, and so be able to keep their own Governments authoritatively advised of what is going



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on. If this were the case, when crises did arise, as they are bound continuously to arise in foreign affairs, each Government of the Commonwealth would have a staff which could advise it as to the facts and which would be qualified to serve effectively, as ambassadors do, as intermediaries in the process of consultation about what the policy of the Commonwealth should be. Thus at last could effective consultation begin. It is certain that the present High Commissioners, already heavily burdened by commercial responsibilities, could not do the work, and that either the High Commissioner should be freed from all other responsibilities to enable him to do it, or a special representative should be accredited to London to deal with diplomatic and international affairs.

It is equally important that the British Government should be adequately served in the Dominion capitals. Experience in the war showed that it was just as difficult to make the British Government understand the Dominion point of view as it was to make the Dominion Governments understand the British point of view. Progress was only made when each Government sent an agent of its own to represent it on the spot. This will probably be true also of consultation about foreign affairs, and it may lead to some modification of the existing system of Governors-General. With the absolute separation from politics which their status requires, they hardly seem qualified to act as expert intermediaries.

Nor do we see any objection to Dominion representatives being stationed for the same purpose in foreign capitals, provided there is previous agreement with all the other Commonwealth Governments at the Imperial Conference about their powers and functions, and provided it is clearly recognised that no Government in the Commonwealth can enter into engagements with any foreign Power, save in minor matters of purely local effect, without full consultation with and the assent of the other nations of the Commonwealth whom its acts commit. In the

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opinion of THE ROUND TABLE the more direct the contact of all parts of the Commonwealth with the realities of the international world the better, provided always that the cardinal rule of consultation and agreement before engagement or action is observed. There are certain great advantages and economies in having a single Imperial diplomatic service, provided enough Dominion citizens are recruited into it. But there is no reason why that should be allowed to obscure the Dominion contact with foreign Powers. If their advice in consultation is to be effective it must be based upon knowledge. Possibly the solution of the problem of Imperial diplomacy is that each Dominion should develop a specialised diplomatic service of its own, whose primary duty should be to reside in London and also in the other capitals of the Commonwealth, for contact there is hardly less important, but who should not live permanently in foreign capitals but move about where the centres of international interest happen to be, consult with the British Ministers on the spot, and so report continuously to their own Governments on the problems of the world.

Such are our views. We do not, however, desire to dogmatise. The Prime Minister of Australia, for instance, is reported\* to be in favour of having a resident Minister in London provided that he is given access to Cabinet documents and consulted on all subjects involving the interests of the Empire. There are no doubt advantages in such a scheme, but there is also a formidable practical difficulty. As long as little or no interest is taken by their public in foreign affairs, leading Dominion statesmen are unlikely to be willing in normal times to go and reside in London where they would be out of touch with their colleagues, their constituents and domestic politics. Where, however, there is a will, a way may be found, and if the Dominions or any of them—for uniformity is not indispensable—should decide to send a

\* *The Times*, July 25, 1923.



## Defence

Cabinet Minister here, we should welcome it. Once a start is made, experience will show which is the best method. The ultimate test will be whether that which is selected stimulates interest and a sense of responsibility where at present they are lacking.

### III. DEFENCE

<sup>d</sup>  
**A**T the present time, as pointed out in the last issue of this review, there is no urgent question of general Commonwealth defence. Germany is disarmed, and the Washington Conference has temporarily stabilised the situation in the Pacific. None the less, we are living in a world in which hate, ignorance and suspicion are still powerful, and every nation has still, in the last resort, to rely upon itself for its safety and its rights abroad. Armaments, in point of fact, are greater in Europe than ever, and Great Britain has recently been forced reluctantly to expand its own provision for air defence. There is no saying what the future may produce, and whatever hopes we may entertain of the eventual success of the League of Nations, obviously no nation to-day can afford to be utterly unprepared. The only alternative to universal armaments is not disarmament, but law governing the nations, and for the moment we are not making much obvious progress towards that goal.

Fortunately there is no need for the Commonwealth to expand its armaments at present, save in the air. The naval arrangements concluded at Washington have stopped naval rivalry in the most important categories of vessels of war. It is rather a question of considering the best geographical distribution of such strength as we now possess, and the financial distribution of the burden involved. This, to-day, is so much an expert question that we do not propose to examine in detail such matters as the merits of the proposal to fortify Singapore. We will simply print

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some figures showing expenditure to-day, for they point their own moral. We give them as correctly as we have been able to obtain them. As regards naval expenditure, according to Mr. Bruce, the latest figures show that Great Britain is expending on her Navy 26s. 8d., Canada 1s. 4d., New Zealand 4s. 7d., and Australia 8s. 2d. per head.

ESTIMATED EXPENDITURE 1922-23.†

	Army, Navy, Air.	Service of War Debt.	World War Pensions.	Total.	Per head of popu- lation.
	£	£	£	£	£ s. d.
Great Britain ..	*111,000,000	*323,990,000	*90,513,000	*525,503,000	11 18 7
(for 1923-24 ..	122,011,000	35,000,000	74,148,000	546,159,000	12 7 11)
Canada ..	nearly 3,000,000	say 21,561,038	about 7 million	31,603,812	3 11 11
Australia ..	4,587,862	20,582,810	6,920,049	32,090,721	5 18 0
South Africa ..	915,840	say 1,390,439	about 1 million	3,306,279	2 3 6
New Zealand ..	611,338	4,667,500	about 1½ million	6,890,369	5 13 0

† Except where an asterisk appears, these figures are not actual, but estimated expenditure. The war debt service figures for Canada and South Africa are rough approximations. For the Canadian figures we have taken 6 per cent. on the total war expenditure (to March 31, 1922) of £359,350,638, and for South Africa 6 per cent. on war expenditure out of loan funds from 1915-16 to 1921-22 inclusive. For the Canadian figure the exchange has been assumed to be \$4.70. The corresponding British figure covers debts from William III's reign, though at the outbreak of war the service was only 24½ million. It is far higher for 1923-24 than for previous years, because £40,000,000 for the debt to America is now included. The figures in the right-hand column are based on the 1921 Census statistics.

The three left-hand columns do not exhaust imperial expenditure. Great Britain, for instance, spends a considerable sum every year on the diplomatic and consular services, the Colonial and the Middle Eastern services and others, which are included in Class V of the Civil Service. The estimate of this class for 1922-23 is 12 million.

Expenditure on such objects as the assistance of ex-soldier emigration and settlement and as repatriation is omitted, because it is temporary and transitory, and our object is to compare the permanent annual expenditure of Great Britain and the Dominions.

In the case of South Africa, for the purpose of our fifth column, we have only taken account of the white population of 1,519,488, but there are, besides the whites, 5,409,092 coloured people. In comparing the figures generally, the relative purchasing power of money in the different countries concerned must be taken into account and allowance made. Money is the counter in which wealth is reckoned and has a different value in different countries. Its purchasing power is still much higher in Great Britain, generally speaking, than in the Dominions.

We have given no figures above for Newfoundland or India. The population of the former is relatively small; the conditions of the latter are different.

Newfoundland's war expenditure was £3,617,021. She contributed 9,000 soldiers and 2,053 seamen. India contributed in money £100,000,000, and in personnel 1,457,000 men, of whom 943,000 served over seas. The cost of troops was met abroad by Great Britain, but in India by India herself. The estimated cost of her military services for 1922-23 is £45,235,778 18s., taking the rupee at 1s. 4½d.

On July 30, the estimated expenditure on defence per head of white populations was given by Sir W. Joynton-Hicks as follows: Great Britain (1923-24) £2 18s. 5d. Dominions 1922-23): Australia 17s. 11d., Canada 6s. 8d., New Zealand 11s. 4d., South Africa 12s. 1d.

## Free Trade, Preference and Migration

### IV. FREE TRADE, PREFERENCE AND MIGRATION

THE most obvious fact about the British Commonwealth to-day is the bad distribution of population within it. The population of Great Britain, according to the census of 1921, was 42,767,530, inhabiting an area of 89,047 square miles. According to the last figures there were about 1,185,000 unemployed in the country, partly because of the falling off in European trade, partly because, despite 766,511 Englishmen, Scotsmen, Welshmen and Irishmen killed during the war, the increase of population in this island has risen and been more rapid than usual owing to the interruption of emigration since 1914. Great Britain is obviously over-populated. On the other hand, there is an equally obvious shortage of population in the Dominions. Canada with an area of 3,729,665 square miles has a population of 8,788,483. Australia with an area of 2,974,581 square miles has a population of 5,436,794. South Africa\* with an area of 795,489 square miles has a white population of 1,538,920 and a coloured population of 5,617,092. New Zealand with an area of 103,568 square miles has a population of 1,218,913.

Certain admirable steps to remedy this state of affairs have already been taken. The Empire Settlement Act of Great Britain and various measures adopted by the Dominion Governments have probably gone to the limit of what can be done by purely State action, and they will bear fruit in due course. But the scope of direct State action is necessarily very restricted. The great emigrations of the past have not been caused by State action but by individual enterprise taking advantage of natural economic opportunity. That is the real road to the better distribution of population. That is why we link the two subjects together in this section. Is it possible to do anything to stimulate the normal operation of economic law, or to

\* Including South-West Africa.

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remove the impediments which now prevent it working smoothly ?

There are two main causes of the present stagnation in inter-imperial migration and trade. The first is the chaos in Europe. Europe is not only a great market for British manufactured goods, but for Empire food and raw materials. The curtailment of that market diminishes alike the power of Great Britain to consume Dominion products and of the Dominions to consume British manufactures. No development of inter-imperial trade is likely to compensate for the loss of European markets. On the other hand, conditions within the Empire are within our own control, while conditions in Europe are not. Thought and energy, therefore, applied to the promotion of inter-imperial trade are likely to be more productive of results than any efforts we can make to stabilise foreign countries. The second cause of economic stagnation is the economic policy of the different parts of the British Commonwealth. Great Britain, for instance, which produces about 45 per cent. of her cereal and less than 40 per cent. of her meat supplies, has stood rigidly by the policy of free trade, which means that she starves her own agriculture in order to get the advantage of the lowest world prices for the food she buys from abroad, because in turn this enables her to keep her own costs of production down so that her manufactured articles can compete effectively in protected markets abroad. The Dominions, on the other hand, which produce practically all their own food, have stood not less consistently for the policy of high protection, because they have been determined to build up a manufacturing industry in their own lands, even though at the cost of higher prices to themselves for manufactured goods.

These policies, while they have apparently suited the immediate needs of Great Britain on the one hand, and the Dominions on the other, have certainly had the effect of retarding the growth of inter-imperial trade, and the development of the Commonwealth as a whole. The

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expansion of the natural capacities of the various parts of the Commonwealth has been disturbed in order either to force on industrial production in the Dominions, or to encourage foreign trade in Great Britain at the expense of the agriculturist. There is no question that each part of the Commonwealth has been fully within its rights in adopting what fiscal policy it liked. Throughout, however, there has always been a considerable body of opinion that questioned whether these policies were really the last word in human wisdom.

For many years, for instance, the majority in the Dominions and a minority in England advocated an all-round system of preference for Empire products, on the ground that it would tend to develop trade and economic activity within the Commonwealth, as undoubtedly it does. The Dominions adopted the preferential system twenty years or more ago, though Great Britain only came into line in 1920. But the effectiveness of the preferential system has been strictly limited. It is limited on the Dominion side, because the level of the preferential duties has been the level necessary to protect Dominion industries from British competition. It is limited on the British side because foodstuffs and raw materials are on the free list, and because the Dominions do not yet produce in any quantity the manufactured articles which can compete as against foreign products in the British market.

There is at present a powerful agitation in the Dominions for an extension of the preferential system in Great Britain to cover their own food products and raw materials, on the ground that an expansion of their markets is necessary to an increase in their own population. It is especially strong in Australia, New Zealand and South Africa, and is pressed on the ground that Imperial preference has operated hitherto mainly to the advantage of the British producer. There is an equivalent agitation in England for an extension of the preferential system in the Dominions on the ground that

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an extension of the Empire market is the only corrective to the decline in the European market, and is also a necessary precedent to the revival of employment in Britain, and therefore of its power to purchase Dominion products.

The question of increasing the preferences, however, is not quite so simple as some of its most enthusiastic supporters believe. It is true that preference has hitherto operated mainly to the advantage of the British producer. The Secretary of State for the Colonies in May of this year estimated that the amount of duties rebated by Canada, Australia, South Africa and New Zealand on British products amounted in 1922 to £11,750,000, while the equivalent British rebate on Dominion products was between £5,000,000 and £6,000,000. But as the history of the Imperial Conference shows, preference was introduced largely as the Dominion method of meeting the pre-war request of the British Government that the New World should assume some share of the growing burden of defence. It was originally proposed in a somewhat different form by Mr. Jan Hofmeyr, of Cape Colony, and was first introduced by Sir Wilfred Laurier in Canada. That the lion's share of the burden of defence still rests on the same shoulders will be apparent from the figures in the preceding section.

On the other hand, the basis of the preferential system has been that the granting of preference was to be a purely voluntary act on the part of each self-governing portion of the Commonwealth. There has never been any bargain, or agreement, about it. It has been an axiom that each nation was to be entirely free to determine its own action for itself, so that it could increase, remit, or abolish the preference entirely at its own discretion and as its own needs prescribed. The inauguration of the system, indeed, by Canada was prompted very largely by the internal political necessities of Sir Wilfred Laurier, who had to satisfy both those who were demanding free trade with the United States and those who were against reciprocity for



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national and imperial reasons. The preferential system to-day means no more than this, that each of the self-governing portions of the Commonwealth, without any agreement or negotiation, fixes the rates of the preferential duties at the rate necessary to give protection to its own products, and adds a varying percentage on foreign products, in order to give the Empire producer an advantage in such market as was left open to external competition over the foreign producer.

So long as the question is treated from this standpoint, which is a perfectly sound and unobjectionable standpoint, we do not see that much change is likely to be made by the Imperial or the Economic Conference, or by anybody else. The Dominions are not likely to reduce their tariff barriers in order to permit British manufacturers to compete with their own manufacturers, and Great Britain is not likely to increase the cost of food to her own population and of production to her own manufacturers by imposing a duty on foreign food and raw material in order to please Dominion producers. In our opinion the real question is not whether the existing arrangement, which works satisfactorily but has no very decisive results in any direction, can be modified, for we do not believe it can in any important respect, but whether it is not possible to lift the consideration of the whole fiscal question from the sectional to the Commonwealth plane.

Is the present theory, that it is best for each part of the Commonwealth that it should determine its fiscal policy regardless of the rest, as true to-day as it was before the war? Is the idea that there might be free trade within the Commonwealth really so distant and absurd as most people seem to believe? One of the main reasons for the astonishing and continuing prosperity of the United States is the gigantic free trade area it contains, just as the greatest reason for stagnation in European trade is its fiscal barriers. The United States has such a huge market at home that it is not dependent for its own prosperity on

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world conditions, and yet, when it wants to do so, can compete effectively abroad because of the huge scale of its production at home. Moreover, as its experience shows, free trade does not mean that one part of the country, that which starts manufacture, keeps all the industry and the rest stays mining and agricultural. On the contrary, as the population has moved West, so has the centre of manufacturing activity. The question is going to be forced upon both Great Britain and the Dominions alike whether they can survive as separate self-contained fiscal units in a world where their competitors are huge entities like the United States, with 110,000,000 inhabitants, Germany with 60,000,000 inhabitants, and probably with close fiscal unity with some of its neighbours, Russia with 136,000,000 inhabitants, to say nothing of India and China, with more than 300,000,000 inhabitants in each. So far as Great Britain is concerned, is it possible for her forty-two million people to retain their position as industrial producers for the world, which they naturally held before the advent of Germany and the United States? It seems very doubtful, even though they retain free imports and pay the price of strangling their own agriculture and depressing the standard of living of their own workers. They will only hold their own in foreign markets if they have a sufficiently large secure home market to enable them to develop that large scale industry which makes the cost of so many German and American products so extraordinarily low. It is very uncertain whether a protected market in Great Britain alone would be sufficient and whether the disadvantages of protection in so restricted a market would not outweigh the advantages. But looking to the future with the inevitable development of the Commonwealth, would not the whole Commonwealth as a home free trade market, with some uniform measure of protection from the huge competitive agencies of the modern world, be very different? It is for Great Britain to consider whether it would not be worth while to secure a protected Commonwealth market



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for our products at the price of giving the Dominions a protected market for their food products.

Similarly with the Dominions. Is it possible for their huge empty spaces to fill up and be developed on the basis of their present policy? Has not the attempt to expand manufacturing industry strictly in proportion to the primary production of food and raw material something to say to their slow development? Experience goes to show that the expansion of primary production must always precede the development of manufacturing. Yet the home markets of the Dominions are hopelessly inadequate to absorb their primary products, which have in consequence to be thrown on the world's markets in competition with those of the United States, the Argentine, and in the future, of Europe, Russia, Siberia and elsewhere. It is at least worth consideration whether it would not serve the Dominions better to obtain a protected market in Great Britain for their food and raw material in return for giving to Great Britain a protected market for her own manufactured articles.

The effect of such a policy would be to slow up the development of new manufacturing in the Dominions for a time, but to stimulate primary industry and to draw population to new territories for the purpose, by transferring the production of Great Britain's needs in food and raw materials from foreign to Dominion soil. It would not extinguish manufacture, because distance gives a large natural protection, and, as already explained, manufacture always follows rapidly on the footsteps of population. On the other hand, it would help to diminish unemployment in Britain by increasing the market for manufactured goods in the Dominions, while also drawing to them its surplus population.

These ideas are not put forward as a considered conclusion, or as a proposal for the Imperial Conference to adopt. They are suggested tentatively as a contribution towards the solution of the difficult economic and popula-

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tion problems which confront Great Britain and the Dominions alike. Obviously, they involve some challenge to existing vested interests. Obviously, they could only be carried into effect after long discussion in each part of the Commonwealth, and probably only by degrees. But it does seem as if modern developments in industry and transportation call for a reconsideration of the policies which were adequate before the war. The idea of a free trade British Commonwealth is a natural corollary to the economic growth of the United States, Germany and Russia. The British Commonwealth is almost a natural economic whole in that it can produce almost all its needs in food and raw material, and, if its population is adequately employed in these primary industries, an immense market for manufactured goods as well. It is at least arguable that a system of inter-imperial free trade, leaving each part to fix its own protective duties against foreign products, to suit itself, would facilitate the better distribution of population and the prosperity and development both of the Commonwealth as a whole and of every part of it far more rapidly than the present system of trying to develop it, as Europe is trying to develop itself, in almost trade-tight compartments. Fiscal unity in the case of the United States, of England and Scotland, of the provinces of Canada and South Africa, and of the States of Australia met with opposition, for it disturbed their existing currents of trade. But there is no one who does not recognise to-day that it was for the benefit of all. It may well be that the fiscal unity of the Commonwealth would produce benefits of a like kind for all.

There is only one other point in this connection. Whatever decision may be come to about Imperial preference or free trade, it must apply primarily to the self-governing parts of the Commonwealth. It cannot be imposed by Great Britain on those territories for whose government she is responsible, because it happens to suit herself or the Dominions. That question must be settled on quite

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different grounds. Since the days of Warren Hastings it has been accepted as an axiom that we stand in relation to the non-self-governing peoples of the Commonwealth as a trustee. We have no right to impose upon them any policy because it suits ourselves. Their own rights and what is best for their own well-being must be the standards by which we conduct their government. Obviously, for instance, the fiscal policy of India ought to be determined by the Indian Legislative Council. There is also the question of foreign nations, and whether it would not be better to apply to all territories under foreign control the system of the open door. Neither France nor the United States does so. But Germany and ourselves have always done so.

### V. EAST AND WEST

THE only other subjects of first-class importance that are likely to come before the Imperial Conference are the questions of Indian immigration and citizenship. They will probably be raised by the Indian representatives.

The Kenya controversy has recently brought both these questions prominently to the fore. The terms of the settlement which the British Government has decided to apply to this particular case have been published, but no such settlement could, in the nature of things, achieve finality. As was pointed out in the last number of this review,\* the issues at stake are far larger than those concerned with the relations and rights of white and Indian settlers in Kenya. They concern the future of Africa, the future of the White Dominions, the future of India.

Indeed, the real difficulty about all these questions is not so much the specific matter at issue as the background of feeling behind it. Nothing is more striking than the effect of the war on Asia. There is to-day among educated

\* THE ROUND TABLE, No. 51, June, 1923, p. 522.

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Asiatics, whether in India, Turkey or the Far East, a determination no longer to bow down in reverence to the West. Fundamentally this movement of self-help is perfectly healthy, but it is going to give rise to a set of problems, aggravated by colour feeling, which are likely to become the chief preoccupation of nations in this century.

This question of Asiatic immigration is a case in point. If those parts of the Commonwealth settled by white men are concerned with migration, so is India. There is a feeling there that her people are going to be confined to the relatively overcrowded areas they now inhabit. To the Asiatic complex about status is now being added doubt about opportunity in the future. This feeling may not only lead to great difficulties in working out the problem of Indian self-government along constitutional lines. It may have a far-reaching bearing upon the future of the Dominions. The Dominions, one and all, are committed to the policy of preserving their countries as homes for white colonisation only. In that they are unquestionably within their rights, and nobody who has studied the terrible effect on all parties of settlement by races of different colour in one territory will dissent from the view that in the present stage of our civilisation, at any rate, it is the sound policy to adopt. But it is equally certain that with the growing self-consciousness of Asia, the policy of keeping the Dominions as homes for the white races, especially if as at present they are kept as relatively empty homes, may not prove practicable unless a simultaneous attempt is made to find adequate opportunities of life for the millions of Asia.

There is no question of more importance to the future peace and progress of the world than a fair distribution of opportunity to all its peoples. It is a difficult question. The Kenya problem has brought to light that Europeans, Asiatics and Africans all have their rights. But their difficulties will only grow more insoluble if they are allowed

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to drift. Not the least of the responsibilities which rest upon the peoples of the British Commonwealth is that of adjusting the relations between East and West by peaceable means, and so preventing explosion in revolution and war. The Imperial Conference, just because it contains independent representatives from all the self-governing portions of the Commonwealth and from India, is admirably suited, sometimes to decide, but more often to ventilate, these issues. The real trouble is not with the leaders, but the peoples. What matters is that the facts should be explored and the views of every part fairly stated and explained in a friendly, candid spirit, so that the leaders of opinion in each part of the Commonwealth may be able to inform public opinion of what the problem really is, and of the snags which stand in the way. That is the only way in which means will gradually be found to reconcile the policy of keeping the Dominions white, with the steady development of constitutional self-government in India and other not yet self-governing parts of the Commonwealth, and of pointing the way to the solution of those problems of East and West which, if they are controlled by violent colour prejudice, will inevitably plunge the world into perhaps the most terrible era of bitter and universal war that it has ever known. Consultation is the necessary link between the self-governing nations of the Commonwealth. It is no less the indispensable link between the white races and the coloured which are its citizens.

## FRANCE AND GERMANY

WRITING on the shore of a Swiss lake, amidst a rich harvest of peaceful labour and beneath the shadow of the unchanging mountains, one finds it difficult to realise that the two neighbouring nations are at war and the economic life of a great part of Europe on the brink of chaos. Yet no other name than war can aptly describe the present relations of France and Germany. Though the loss of life in the struggle of the last seven months is insignificant by comparison with the standards of open belligerency, the moral, social and economic consequences are in many respects more serious. We have reached a point at which the financial and economic problems of Germany begin to seem insoluble. So rapid has been the depreciation of German currency that the current revenue is no more than two per cent. of the expenditure. The industrial output of the Ruhr area has fallen to a fraction of its normal value, and the obstacles which have been thrown in the way of trade between occupied and unoccupied territory tend in an increasing degree to hamper all German productive activity. Politically the German people are being driven into the two extreme camps of communism and reaction. Morally they have no alternative to fatalism. Their enemies have little to put to the credit of a tyrannical use of force. They have achieved little in the Ruhr except disorganisation. Their national financial position has not improved but steadily deteriorates. The name of France has become a synonym throughout Germany for



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all that is most profoundly hated, and in the world at large an object of suspicion and distrust.

The British people have watched the events of the last few months with remarkable patience. They have seen their trade dwindle and they are now confronted with the approach of a fourth winter of unemployment which seems certain to be more severe even than the last. They have stood by while their army on the Rhine was encircled by the French and left powerless to carry out its obligations to the population of its area. They have supported the proposals of their own statesmen for a settlement only to see them rejected in Paris without discussion. Nothing but loyalty to the memory of common sacrifices in the struggle for liberty and the profound national reluctance to give up a friend have enabled the British nation to carry tolerance to such lengths. THE ROUND TABLE has not hesitated in recent months to suggest that neutrality, from whatever motives it sprang, was an attitude inconsistent either with the honour or the interests of the British Commonwealth. That view has been confirmed by events. It has become difficult not to feel convinced that neutrality, far from facilitating a settlement, has stood in the way of one. France has acted on the perfectly clear principle that force will cut every knot ; if not immediately effective, it must succeed in the end ; and he who possesses force can afford to wait when his enemy has none. So long as the French Government can rely on the maintenance of the Entente as a cardinal point of British policy, so long will it be free to act entirely in accordance with its own faith. It has ceased to believe that we share its principles, but it can regard the divergence with indifference provided we refuse to act on ours.

The negotiations of the last two months are still, as this article is written, illuminated only by the half-light of a partial publicity. A summary of the British Notes to France was given by the Prime Minister in his statement in the House of Commons on August 2, but the text has not

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yet appeared in print.\* All those, however, who have read the two documents now published by the French Government—their instructions to the French Ambassador in London in reply to the British questionnaire of June, and the French Note of July 30—will feel that they have probed to the heart of the controversy. M. Poincaré, whose authorship of those documents has been freely advertised by the French Press, is master of a style in this kind of composition which has at least the one great merit of incisive, almost brutal, clarity. It is not difficult to summarise fairly what he has to say, but no summary can do justice to the vigour of the original.

“The French Government,” says M. Poincaré in effect, “is always glad to discuss these questions in a cordial spirit with its Allies, provided the conversations are conducted through the embassies and no attempt is made to lure us into a conference or to seek publicity. It is true that there are one or two cautionary remarks which we ought to make. We can have no dealings with the German Government until they put a stop to passive resistance. By that we mean that they must cancel all their public declarations, as well as their secret instructions, on the subject. We are bound to insist on this condition because we laid it down in a public statement in Brussels some months ago, and no French Government can go back on what it has said in public. You ask what changes will be made in the régime of the occupied area if passive resistance ceases. No doubt we shall be able to make changes, but we cannot bind ourselves in advance or adopt any formula which will prevent us later on from keeping things as they are. Certainly there can be no question of our allowing the two things—the cessation of passive resistance and the introduction of a modified régime—to operate simultaneously or in any sort of relation to one another. We ought to remind you, too, that we shall stay in the Ruhr until Germany pays in full.

\* This article was written before the correspondence with the Allied Governments was published in London.



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We said that also at Brussels. Apart from that, the Germans did the same in 1871. As to the German debt and the suggestion that it should be brought into relation to German capacity to pay, you appear to have forgotten the Treaty of Versailles. There is nothing there about any impartial tribunal of experts, but there is a great deal about the Reparations Commission. The Commission has already fixed the amount of the debt, and its decision can only be altered if the Allied Governments are unanimous. We need hardly add that they are not unanimous, though, of course, we shall be glad to reduce the amount if you will make yourselves responsible for the whole reduction by cancelling our debt to you. However the amount were fixed, Germany would never be satisfied. The German mind understands coercion and nothing else ; that is why we are in the Ruhr. The word of a German Government is worthless. No sooner has Germany given undertakings than she has repudiated them. Wilful default is her settled policy and the cause of all her misfortunes. If she continues her resistance to our lawful oppression, the consequences will be on her own head. She would have capitulated long ago if you had supported us, and you can put an end to the whole business and restore Allied unity by supporting us now. We should like you to understand, however, that short of this there is no rôle you can fill. We refuse to recognise you as a mediator."

These two documents can offer no surprises in their tone or contents to anyone who has been brought into touch with representative French opinion in the last few months. By a polite fiction it has been customary to speak of the aims of France and Britain as the same, though the methods chosen for attaining them were different. Nothing could be more misleading than this antithesis. In aims, in methods, in their valuation of the results of the war, in their conception of the future of Europe, in their whole political outlook the two countries are poles asunder. Entirely characteristic is the attitude of France

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in face of the prospect of economic and political chaos in Germany. We need not expect magnanimity; there is a bitterness in these continental blood-feuds which it is best to recognise. What we find, however, throughout the Press, in every grade of society, amongst business people and officials, is a complete indifference to the fate of Germany, an entire absence of concern as to the future, even an undercurrent of pleasurable expectancy. The feeling was well expressed in a recent message from the Paris Correspondent of *The Times* :—

However things fall out, it is thought they will turn to the advantage of the French. Either Germany gives way, in which case the French consider that payments can yet be assured, and will have been assured by the operations in the Ruhr; or Germany breaks up, and in that case France is not only secure but can obtain compensation for herself.

This attitude is implicit in the public declarations of the French Government and it is confirmed by the cumulative and un rebutted evidence of French intrigue in Bavaria and with the separatists of the Rhineland.

Our own views on the political and economic aspects of the reparations controversy have been stated in previous numbers. They have become, we believe, with the progressive awakening of public opinion, steadily more fully coincident with the predominant British feeling. Now that the division between this country and France can no longer be concealed, it is worth while restating, however briefly, what we conceive to be the fundamental premises of British policy. The French case and the considerations which have led us to urge the adoption of a generous financial policy towards France have been more than once set out in *THE ROUND TABLE*.\*

British interests—and they are indistinguishable from the interests of humanity—demand peace in Europe.

\* *THE ROUND TABLE*, No. 39, June, 1920, p. 555; No. 48, September, 1922, p. 777; No. 50, March, 1923, pp. 238 and 281; No. 51, June, 1923 p. 505.

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We ask for peace on the broadest grounds. We believe in peace for its own sake, as the only state of society favourable to the exercise of those human qualities which build up rather than destroy, which create civilisation out of chaos. The British Commonwealth entered the war because of its conviction that its ideals of peace were being assailed; it endured the sacrifices of the war to the end in order to ensure for those ideals immunity from danger for the future. Holding these views, as it does, with all the force of instincts, the British Commonwealth is bound to regard the present state of Europe with the deepest apprehension. The dissolution of Germany would banish peace for a generation. It would unloose the racial jealousies and narrow national ambitions of the new and untried democracies of Central and Eastern Europe. It would substitute for an organic racial and economic unit a congeries of weak and insufficient States. It would subject the greater part of Europe to the domination of a military Power, deriving its strength not from its own numerical or cultural superiority, but in an ever higher degree from the fighting races of Africa. That is a prospect which no British Government can regard with equanimity.

That is the political aspect of the matter: there remains the economic. Without peace there can be no revival, only a spreading paralysis, of international trade. On the free pursuit and development of trade between the nations the British people are dependent for their very existence, half the world for its prosperity.

We believe that Germany, even after all that has happened in the last four years, can in the future make, and ought to make, substantial payments on account of reparations. But not unconditionally. The situation must in the first place permit of the maintenance of a stable government in Germany. It is idle to speak, in the language of the French, of exerting pressure on the great industrial interests in order to create "the will to pay,"

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if the effect of that pressure is to weaken the central Government and induce disintegration. So long as a Government exists in Berlin, it is a sign of the persistence of a national will: let that Government be submerged, and Germany and its industries, with the prospect of reparations, will vanish with it. A second condition is that the German currency should be stabilised and the German budget brought to balance. That is not even now impossible, or indeed, in the absence of any internal debt in Germany, very difficult. But the beginning of all German financial reform must be the fixing of Germany's external obligations at an amount which the opinion of the world is prepared to accept as reasonable and within Germany's capacity. It is often said that for the present state of their finances the Germans have only themselves to blame; they have deliberately practised inflation in order to evade their liabilities. Apart from the objection that it is inconceivable that any Government should knowingly bring about an economic situation such as that of Germany to-day, this theory does not account for the facts. It is true that the subsequent financial history of Germany has suffered through the glaring unsoundness of the methods adopted by German Governments during and immediately after the war to finance the requirements of the State. A similar reluctance to impose adequate taxation at that time explains the present position of French national finance. But for the last two years it is not inflation which has brought down the mark; the printing presses have been engaged in a vain attempt to follow the depreciation of the currency. That depreciation has been a direct consequence of the world's judgment that the Allied claims for reparations were incapable of being met. It will continue until that judgment, or, in other words, those claims, are revised.

The theory of currency systems is not a popular study. For that reason it is not difficult for any street-corner orator, or his analogue who writes the leading articles of a

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certain class of newspaper, to demolish such arguments as we have used, to his own satisfaction and that of his audience, by a bald statement that the Deutsche Bank has paid a dividend of 300 per cent. or that the German mercantile marine is rapidly being rebuilt. If these things can be, who can doubt Germany's hidden wealth or her power to convert it into sterling or francs? This kind of argument still holds the field in almost any *milieu* in France; even in England it has had a vogue which cannot be ignored. As a currency steadily depreciates it is inevitable that those who hold it should seek to turn it into real values. If it is not ships which are built it will be something else. Employment is bound to be created, industrial prosperity certain to become apparent. To criticise the phenomenon is as irrational as it would be to blame the doctors for the spread of a smallpox epidemic in a country where vaccination was unknown. As to the fabulous dividends, it may be worth while for the writer to refer to the annual report which has just come to his notice of a well-known Swiss concern which has a controlling interest in an important German manufacturing company. For last year the Swiss company, in spite of bad trade, was able to show a substantial profit. Its German subsidiary was fully employed throughout the year and paid a dividend of 250 per cent. As the directors point out in their report, it would have needed a dividend of many thousands per cent. to give them even a meagre return on their original investment. Indeed, they found it necessary to appropriate all that part of their own profits, made in Switzerland, which would ordinarily have gone in the payment of a dividend to their shareholders, in writing down to their present value their holdings in their subsidiary companies in Germany and other countries suffering from acute currency depreciation. Here, surely, is a reminder that the wealth of Germany is in present conditions inconvertible into reparations. Far from German statesmen being endowed with the Machiavellian cunning

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with which some people credit them, one of the most hopeless features of the situation is their weakness. They simply drift helplessly. Their policy is purely negative, and the cause is not, as a section of our Press would have it, that they are fraudulent debtors, but that they are mediocrities. The old *régime* could work with no other type. The whole system was based on it, and in normal times it passed muster. But for evil times—and since 1918, when the old *régime* crashed, there has been nothing else—they need a Bismarck, and no Bismarck has appeared. The degree of political confusion that prevails in Germany to-day is extraordinary.

Political stability in Germany and a reassessment of the German debt are, then, in our view, essential prior conditions of reparation payments. The evacuation of the Ruhr is a third; and by that we mean not merely the withdrawal of the French troops and the restoration of mines and railways to the German management, but some arrangement which will give to the world at large a guarantee that German credit will not be subject to such onslaughts in future. The British Government has expressed the opinion that for security the Allies must look not to an indefinite occupation but to international control of German finance. For this there is the Austrian model, which, so far as it has gone, may be said to be a success; and competent observers have recently expressed the opinion that Germany would welcome a similar arrangement. Something of the kind may yet come; but it is well to realise that, while it may be a simple matter to control the public finances of Austria, direct intervention in German administration opens prospects of far greater difficulty. Given a reasonable settlement of reparations, there may well be found to be in Germany, what there was not in Austria, a national will to survive strong enough to carry through the necessary financial reforms. M. Poincaré, in his Note of July 30, remarks: "It is idle to hope that a figure can ever be fixed which the German Government



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will accept as fair and within its capacity ; even if it did so accept a given figure, nothing would prevent it from going back on its word the next day." If that judgment were true it would cancel all hope of reparations. A lifetime of penal servitude, which seems to be the French remedy, has never yet reformed the habitual criminal. THE ROUND TABLE has long been of the opinion that Allied policy towards Germany since the Armistice has been vitiated not by an excess of trust but by a complete absence of it. The conception of the conqueror imposing his will on the vanquished—a conception by which M. Poincaré still lives and has his being—dominated the Peace Conference and has continued to dominate subsequent negotiations.

The two points of view which we have here given in outline are, it will be admitted, in fundamental opposition. After weeks of negotiation the Prime Minister has expressed doubts as to his ability to reconcile them. He has rightly put an end to the secrecy of past discussions. What next ? The question was asked, not unnaturally, from many quarters in Parliament. Mr. Baldwin refused to commit himself. It is not one of the functions of this review to prescribe a foreign policy for the Government, nor to lay down the time or manner in which this step or that should be taken. Any Government has to proceed with regard not only to the international situation as it is revealed day by day, but to the views of its own supporters and of the nation at large. We may regret that progress has not been more rapid and that the Government has hesitated, from a respect which we believe to be exaggerated for the opinions of a section of its own party and of the nation, to propound a constructive policy and to act on it. But our primary duty is clearly to take our part in placing what we believe to be the vital issues before public opinion and in pointing out the favourable and the unfavourable signs of the political horoscope. It is from that standpoint that we put forward the views and the suggestions which follow.

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In the first place it is perhaps necessary to postulate that the British Commonwealth is not an interloper in a domestic quarrel between France and Germany. It has a direct interest, a claim to be heard, not less powerful than that of any other nation. It derives this interest and this claim from its part in the war, from its joint responsibility for the peace and from its peculiar susceptibility to loss and suffering through the maintenance of warlike conditions. It cannot therefore submit to be warned off by France, nor can it view with indifference the persistence of France, whatever her motives, in action plainly destructive of British interests. If French policy is to be invariable, if the ordinary procedure of discussion and argument is seen to lead nowhere—and in our view that moment has already arrived—then the British Commonwealth is bound to seek other means of securing a hearing for its views, even though that should involve open opposition to French aims.

In such a contest the British Government has rightly judged that its first and most powerful weapon is publicity. But publicity means more than the publication of a record of past failures. It means also an appeal to world opinion in favour of a constructive settlement. Admittedly, there is a certain risk in any attempt to mobilise public opinion against French policy. France may well seem to some of the smaller nations a Power still so formidable that discretion in opposition to her would appear to be the better part of valour. Great Britain, too, is a creditor nation, and there is no natural affection for a creditor. To some extent this country is prejudiced by its record in regard to reparations since the Armistice. It has been a party to insistence on absurd claims, it has flirted once at least with the threat of occupying the Ruhr, it has failed to make any protest against the illegality of the present French proceedings. These are not trivial considerations. But against them must be set the feeling of the neutral nations, which is at least as strong as that of Great Britain itself, that French policy is leading only to the ruin of Germany, and that the

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ruin of Germany would be a disaster to Europe. On the one condition that the British appeal was bold, generous and comprehensive, we believe that it would be met with a response great enough to influence French opinion, not, indeed, to accept a settlement imposed on it, but to take part in devising a settlement that would meet the real needs of France as well as those of the rest of the world. Whatever may be the risk of failure in an effort to find a constructive solution, the risks involved in the only possible alternative of leaving France a free hand seem to us to be far greater.

We are not in favour of offering any special military guarantee or pact to France for reasons that are stated in an article on the Imperial Conference, which appears elsewhere in this number. Such an arrangement, whether direct or under the ægis of the League of Nations, would inevitably involve us too deeply in continental politics, and the events of the last few years have shown that the differences between our own standpoint and that of France are fundamental. The French would, moreover, certainly expect a degree of military preparedness and co-operation to which the British people would be loath to commit itself. An entente is a different matter, for its obligations are obviously subject to the adoption by each nation of a policy which is not irreconcilable with the standpoint of the other. We should, however, as has been made clear in *THE ROUND TABLE*,\* be prepared to go further than any British Prime Minister has yet done in the matter of international debt to meet the French point of view, for exceptional sacrifices are, in our opinion, justified to obtain a settlement. We are in general sympathy with the letter from Mr. Keynes which was published in *The Times* on August 6.

Lastly, there is the deadlock in the Ruhr itself. National *amour propre* is now deeply involved on both sides. The French will not climb down and the Germans will not

\* *THE ROUND TABLE*, No. 48, September, 1922, p. 769.

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stop passive resistance. The only scheme that seems to offer some prospect of cutting this Gordian knot without too much loss of face would be the substitution of some form of international administration for the French occupation. The concurrence of Germany would, however, be essential, and she would have to take her part in the new *régime*.

It is, however, necessary to do more than make proposals with a view to peace. We must make up our minds what is to be our course if this attempt fails, as so many others have failed. The continuance of our old attitude is out of the question. It would soon leave us without either friends or respect. The uncertainty that goes with it is bound to lead to misunderstandings, and in international affairs misunderstandings sometimes leave more bitterness than war itself. If our proposals are rejected by France, the matter cannot simply rest there. It is bad policy from all points of view for a Director to sit on a Board when he entirely disapproves of the policy the Board is carrying out. It would in the end lead to a greater chance of settlement if in such an event we were to withdraw altogether from Germany. We should leave France to face the situation alone and withdraw altogether from the Rhineland. The difficulties of the situation are increasing there every day with the pressure of rising prices and the growth of disruptive influences. The social and economic structure of German life is shaken even in the Cologne area, which has for so long been an oasis, and we may find ourselves before long committed by the mere duty of keeping order to the same employ of ruthless force as the French themselves, notwithstanding our disapproval of their methods.

As for the inter-Allied commissions, there may be inconveniences in withdrawal, but they cannot, in our opinion, outweigh the disadvantages of continued representation on the bodies which are now carrying out a policy in respect of Germany of which we entirely disapprove. We should recall our representatives.

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At the same time, we should make it clear to France, if she rejects our proposals, that our withdrawal implies no abandonment of any of our privileges, whether under the Treaty of Versailles or otherwise. We should reserve the right to claim our fair share of any reparations that may be recovered, and the debt France owes us would also remain in force.

# CHINA

## I. THE STATIC CIVILIZATION OF CHINA

IT would be difficult to make any statement about China and the Chinese which is not at least partly true. The country is so big, it ranges over so broad a belt of latitude and longitude, of climate and of geographical differences, that it holds within its borders an infinite variety of human types and human problems. Life must accommodate itself to the dry brown plains of the North, to the highly irrigated and densely populated areas of the Yangtse Valley, and to the tropical South, as well as to the pastoral life of the mountains and high plateaux, or to the long winters of Manchuria and Northern China, where the soil is frozen several feet deep and all activity ceases for months at a time. The Chinese people, although now a homogeneous whole, is composed of many different stocks, with types as divergent as the burly six-foot Shantung man and the slight, alert Cantonese. They are honest, industrious, generous and kind, the most tolerant people in the world. Yet official corruption, a happy-go-lucky temperament leading sometimes to considerable laxity of thought and conduct, and even outbursts of panic—the result of timidity—such as appeared during the Boxer Rebellion, can be quoted against them. There is little wonder, then, that visitors to China, to whom we are largely indebted for our current literature on the subject, have recorded very different impressions of the country and its people. Most of the China-hands, the men and



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women whose careers are spent in China, are confined by circumstances to one of the Treaty Ports, where they live in the midst of a foreign community, and of English-speaking Chinese who are divorced from their homes and traditions. A few spend their brief China years in the romantic but somewhat exotic atmosphere of Peking. And a few men and women, chiefly missionaries, have even lived in the interior ; but they have generally tended to become associated with a special type of Chinese and to focus their interest on a particular phase of life and thought. There are not, therefore, many authoritative works about China such as will help us to understand the thoughts and the problems of her people as a whole. Only a handful of foreigners have a knowledge of the language sufficient to enable them to appreciate the classics of China's literature on which are built the foundations of her culture. The real meaning of her old civilization escapes even the most patient student who is dependent on simple observation, and we shall probably have to wait for a Chinese to interpret Chinese civilization to the West in adequate and intelligent terms. For the present we must not be surprised at the divergent accounts of the country which we find in the Press and in current literature. We read that China is without a Government and in a state of political chaos ; and, on the same day, that China, alone among the empires of the world, has evolved a civilization, based on a social fabric of immemorial toughness and vitality, which has really stood the test of time. Both statements contain an element of truth. Our difficulty lies in interpreting them.

The travels of Marco Polo in the thirteenth century remain to this day one of the best records of China. Ser Marco visited the country in one of those heyday moments in her history which mark the progress of every civilization. He judged the country by the Venetian standard of his day—admittedly a high one. Marco Polo was vastly impressed with China. Travellers in the days of the

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early Manchu Emperors, Kang-Hsi and Chien-Lung, say 200 years ago, would have found conditions much as Ser Marco found them. It is doubtful whether a more pleasant civilization has ever existed in the world. In 1760, when the country had been ably administered, and security of life and property had been well established for two generations, the population amounted to only 150,000,000, and the country had not begun to suffer from the undue struggle for existence which has harassed a population of 400,000,000 in recent years and proved a fruitful source of unrest. It was a country of prosperous farmers, each cultivating his own land and enjoying membership of a society based on moral law. It would be difficult to imagine a more delightful life than that of such an emperor as Chien-Lung, scholar, philosopher, traveller, artist and sportsman, an able administrator, with abounding health and vitality, the friend and patron of arts and industries, and withal, Vice-regent of Heaven. He journeyed leisurely across his broad dominions, acclaimed by a prosperous and peaceful people, Emperor of the "Middle Kingdom," arbiter of elegance and of all that was desirable in the known world. Such was China in the 18th century, a source of pride to its own people and of envy to the outer world.

Let us now plunge into the China of to-day, its Government paralyzed, its finances in a muddle, its trade and communications disorganized by brigands, its currency debased, and its international credit disturbed by the scant respect accorded to its international obligations. The interests of the foreigner in China, and of the foreign investor in Chinese securities, are naturally affected by the prevailing confusion. That confusion, therefore, tends to be the keynote of all accounts of China in the West. Let us try and discover the reason for the troubles, in the hope of finding some remedy. But let us always remember that the troubles are mainly on the surface, and that the life of the Chinese people goes on, their agricultural

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activities little affected by these passing shadows, their local administration little embarrassed by the lack of a central Government, the toughness of their social structure unimpaired, the current of their great civilization little changed. There is only one great change that is going on slowly and almost imperceptibly. For 4,000 years the Chinese have been content to be a Society of Peoples. External pressure is forcing them to become a Nation.

We need not go back many years in our search for the beginnings of this Chinese national spirit which may have a far-reaching effect on the world's affairs; for a new nation of 400,000,000 vital, vigorous spirits may prove no small problem, unless it finds a footing of true harmony with its neighbours. During the last century the various Powers of the West and the East have battered their way into a somewhat unwilling China. The Chinese, born traders as they are, had long encouraged the trader from the West, but they chose to regard him as an outer barbarian and to permit him to trade within their borders on their terms, and on their terms alone. The light-hearted adventurers of the last century were unaccustomed to such an idea. They were quite as keen to trade as the Chinese, but they were determined to secure recognition as representatives of the great trading and sea-faring nations of the West. Such recognition was, in fact, secured after two wars, which resulted in the conclusion—one might almost say the enforcement—of those treaties on which the foreigner now conducts his business and passes his life in the Treaty Ports of China. Among the most cherished of his treaty privileges are the rights of regularized taxation for his goods; and of extraterritoriality, by which he lives and trades under his own laws, and in such conditions of sanitation as have recently become so highly regarded in the Western world. So long as the foreign traders were few in number, and of reputable habits and good manners, the Chinese showed

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little objection to their presence or their privileges. Recent increases in the number of resident foreigners, however, their growing jealousies amongst themselves, their competitions and their exploitations, have stirred in the Chinese mind grave questions as to the equity and the expediency of these privileges, which have already led, and may well lead again, to dangerous outbursts of feeling against the foreigner and all his ways.

We must remember that China remains to-day much like England in the beginning of the reign of King George III. It is a country of open fields and free passage. There is no law or thought of trespass. There is, indeed, little need for laws at all. For all practical purposes the Chinese are members of a society of peoples in which each family and each village, each clan and each guild, governs itself, arranges its own affairs and attracts little attention from its neighbours or its governors so long as it behaves respectably, minds its own business and avoids scandal. Four thousand years of experiment have achieved very successful results in the disposition of every social problem. Over large areas communications are confined to the leisurely progress of the waterways, with their picturesque junks, their charming bridges and delightful riverside villages. On the great northern plains where no waterways exist, pack horses, pack mules, litters and sedan chairs can be seen to-day, much as they were on the English highways two hundred years ago. The same classical, static civilization exists. Culture and social intercourse are the pleasures of the people, confined to no class but the portion of every Chinese. The idea of progress has not yet penetrated China, and the more thoughtful Chinese who have come in contact with it in Western lands, are beginning to doubt the essential efficacy of that idea. They see that progress has developed mainly on material lines, and they doubt whether even science has added much to the real happiness of mankind. They regard the materialism of the West with frank horror.

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Experience has taught them the desirability of leisure, the happiness that is found in eliminating rather than in accumulating desires, the satisfaction of quiet work and the futility of riches. It is true that a few of the newly-rich have ensconced themselves in the security of the foreign settlements where they lead a luxurious and ostentatious life entirely out of harmony with Chinese ideas. But they are too exotic a growth, too transient in their influence and interest, to need much consideration in a general survey of the country's story. It is reported on good authority that China now possesses more gold than any other country, more even than the United States of America, but it is difficult to discover in China whether a man has wealth or not. If he possesses silver and gold, either modesty or timidity impels him to keep them buried in the ground. Rich and poor live very much alike. And each man is responsible for his neighbour.

## II. THE POLITICAL EFFECTS OF RAILWAY DEVELOPMENT

**I**NTO this static world the foreigner has recently introduced some seven thousand miles of railway, little realizing how far he was going to disturb the equilibrium of this peaceable old country. The railways, with their facilities for quick transport of people and of goods, had an almost immediate effect on the life of the people who lived within their zone. Young men have been removed from the influence and tradition of their families. Farmers have been tempted to produce not for themselves and their own families alone, but for distant and fluctuating markets. The railway revenues have provided wonderful opportunities for those fortunate gentlemen who secured control of them. And last, but not least, they have afforded means of exercising over large areas a military pressure such as had never been contemplated in the history of the country. The present system of military government,

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under which a number of rival leaders have collected hordes of hungry lads from the over-populated northern plains, armed them with rifles, and used them for their own political ends, has proved a curse to the country at large, and the evil has certainly been accentuated by the fact that the operations of these military chiefs are no longer confined to small areas, but are extended throughout the country as far as the railway zone extends.

The extension of the railway system, provided that it was freed from interference by local military chiefs, might prove the simplest method of unifying the country, of creating a central authority representative of the various provinces, and of stimulating the productive forces in the country sufficiently to maintain the present heavy population in reasonable comfort. But the continued existence of the railways without effective central control or national responsibility is a perpetual menace to internal peace and prosperity, and a temptation to every form of exploitation.

One other factor has proved a fruitful source of unrest—the existence of large numbers of armed bandits, who hold to ransom members of any Chinese family suspected of possessing hoarded treasure. The country has seldom been free from bandits, but the modern type is better armed and better organised than has ever been the case in the past. The bandit chiefs are often men who have been driven from office with some turn of the political wheel, and who have retired to the mountains with their followers, retaining their rifles and even their uniforms. Or they may be men with political aspirations, seeking office and the fruits of office, and determined to win them by force of arms. The steady flow of rifles and ammunition into the country during the past few years, with foreign connivance and in spite of the arms embargo, has enabled the bandits to hold their own against constituted authority, to levy tribute from chambers of commerce, private persons, and occasionally even from foreign captives. The recent wrecking of the express train from Shanghai



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to Peking, and the capture of a number of foreign and Chinese passengers, is the worst outrage that has been committed, and the first demand of the bandits was their enrolment in the national army.

There is no effective central authority having the power to suppress these bandits, to free the railways from the control of local military chiefs, to repress illegal taxation, to stabilise currency, to enforce unity of policy on any national issue, or to maintain the security of life and property which is essential to the maintenance of ordered society.

Some effective central government appears essential for China now that she has begun to develop her means of communication and to take part in international affairs. She must have some machinery for controlling such new-fangled national responsibilities as railways, which affect the life of the whole country. And she must have some voice with which to speak to the foreign nations, her neighbours, with whom she has come into belated and unsought relationship.

China has no tradition of central government. The various dynasties that have ruled over her have made little pretence of governing the country. It would have been impossible for them to exercise any very direct or effective control over so vast an area so long as communications were confined to cart-roads and junks. The Imperial Court was little more than a link between Heaven and Earth. Through the ages the Emperors have been recognized as the Sons of Heaven, their authority based on a moral code by which they were held responsible to Heaven for the welfare of their people. They exercised a certain moral control through imperial edicts, of which the Sacred Edict of Kang-Hsi is perhaps the most famous example. They received a small and little-disputed tribute. They exercised a unifying influence over the provinces by the nomination of the higher officials. Their authority rested not on power but on prestige. The sentiment and

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mystery attaching to a theocratic form of government, indeed, were of high value in this land of vast distances and poor communications.

Under the Imperial régime the officials were well styled the fathers and mothers of the people. It is true that they paid for their offices before proceeding to their distant posts, but that was the only way in which the Court could be sure of any receipts from them. They led lives of the greatest simplicity. Even the Viceroys were housed in *Yamens*, of great dignity and beauty it is true, but with bare floors, white-washed walls, empty halls and little comfort. Their only possible channels of extravagance were their clothes and their food; their only distractions the social gatherings round the dinner-table, when they discussed the classics and the things of the mind rather than current politics. The dinner parties in the old *Yamens* were delightful ceremonies, with the drums and trumpets sounding the closing day, the windows thrown open to an old-world garden, the circle of genial faces round the candle-lit tables and a flow of conversation at which the Chinese are past-masters. No one who knew these old officials intimately can have any doubt that they represented a dignity and decorum which was a great asset in the world. They interfered little with the people, coming in touch with them only when some scandal broke the even tenor of family or village life. They lived on the taxes, and the taxes were very light before the military demands of the last 20 years harassed the provincial exchequers. They made their perfunctory but regular contributions to the Imperial Court. They administered indifferent justice and exercised a loose administration. The people ruled themselves. Nowadays the authority of the officials is no longer maintained by prestige alone. They must have force behind them if only to resist the importunities of stronger neighbours. The Tuchun keeps up his army. The district official maintains his police. Both armies and police and their bandit rivals must live

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upon the country. Heavy taxation, military levies and looting are the result.

The power of the military leaders has been spread over gradually increasing areas with the extension of the railways. Those railways, which have such splendid possibilities for good from an economic point of view, have proved politically disruptive. The railway revenues have been used for the maintenance of unnecessary troops, the railway lines have furnished the machinery for their successful operations.

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THE foreigner was responsible for the introduction of these new and disturbing railways. The Chinese have proved unexpectedly proficient in their technical operation, but they have not yet the experience to cope with the new problems that have followed their introduction. It would certainly hasten the restoration of order if the Chinese would draw on the administrative experience of the foreigner to transform the railway system into a real national asset.

The young ex-Emperor and a small Court still remain in the Imperial Palace at Peking in a state of dignified though impoverished retirement. The Government of the Republic consists of a Cabinet, nominated by and dependent upon the military over-lords; and a Parliament which appears to exercise little power and to recognise no responsibility. The traditional revenues, the tribute from the provincial exchequers derived mainly from the land tax, have ceased to reach Peking. The Government subsists on such surpluses as remain from the Maritime Customs after the foreign loan service has been met; on the salt revenues, collected under foreign supervision, but subject nowadays to serious provincial interference; and on the revenues from the railways. The representatives of Government are

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obliged to remit most of their receipts to the military overlords for the upkeep of their armies, and thus live from hand to mouth, in constant negotiation with striking ministries, educational institutions and police whose pay is always in arrears.

The railways are at the mercy of the military, who commandeer rolling stock, transport troops and produce without payment, rifle the station tills and refuse to recognise any responsibility for debts owing to the foreign suppliers of the material necessary for maintenance.

Every railway in China is a potential gold mine. The passenger traffic is abundant, for the common sense of the Chinese soon taught them that it was cheaper to travel quickly by rail than to walk and to pay for their food when going on long journeys. The goods traffic also is flourishing, and every station along the main arteries of the railways is always piled with cargo. The failure of the railway administration to meet debts for material is therefore unpardonable. Up to the present the service of the railway loans has been promptly met, however, and there seems little reason to fear that those loans, which are national obligations, will be disregarded. In the unlikely event of the funds for the loan service failing, as a result of increasing demoralisation on the railways, those debts may become a charge on the foreign-controlled Customs revenue. If that should happen, China's creditors will have real grounds for anxiety.

The Customs funds are already carrying the entire service of the loans secured upon the salt gabelle, and, in addition, the service of a number of domestic loans which have been fathered by Sir Francis Aglen, the Inspector-General of Customs. The bulk of these domestic bonds is held by the big Chinese banks, which might collapse if the service failed. Those banks are probably the most stable factors in the financial and economic life of the country. In fathering these loans, therefore, the Inspector-General was no doubt guided by a desire to maintain their credit—which represents the mobile internal credit of the country—

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and to associate the native bankers with the foreign creditors in any financial arrangement for re-establishing the credit of the country. He also saved the Customs surpluses thus employed from being squandered on further adventures. This allocation of Customs funds can be defended as a measure of urgency. But it would be fatal to China's credit, and to the interests of legitimate trade, to tamper any further with Customs funds for any purpose outside their legitimate sphere—the protection of trade from irregular levies.

Apart from the loans secured by the Customs, the principal obligations of the Government are a number of loans incurred by successive ministries for unproductive purposes—mainly for political and military adventures. The major portion of these loans has no doubt gone into the pockets of the military leaders and the members of the Government, through whose influence they were contracted. Some of these debts have been incurred from ignorance of the financial and economic needs and responsibilities attaching to such substantial obligations. Be that as it may, the majority of the funds has undoubtedly been squandered. The largest unsecured obligation is that of a group of Japanese banks, generally known as the Nishihara Loans. But the subjects and citizens of many of the great Powers have advanced money or material on little or no security, and the service of the unsecured debt is heavily in arrears.

The method of rehabilitation is not easy to devise. The Washington Treaties have made provision for an increase in the Customs revenue, by means of surtaxes, thus raising the tariff from a 5 per cent. basis to an eventual 12½ per cent. From the moment of this decision, and before ever the surtaxes could be enforced, there has been a regular campaign to secure the allocation of the surtaxes for every conceivable purpose, legitimate and illegitimate alike. The holders of unsecured loan bonds, the suppliers of material to the Government on unsecured credit, the suppliers of smuggled

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arms, and the most flagrant financial exploiters have all advanced insistent demands for a lien on the proposed Customs surtaxes.

The steady focussing of these demands on that one source of security is the highest possible tribute to the stability and integrity of the Customs administration. But such proposals are fundamentally unsound and unfair to China. Many of these debts, perhaps all of them, will have to be met eventually. The railway loan service should, and could, continue to be met from the railways. The other debts should wait until some recognised government is established, which need not necessarily be a long time. But no new money should be freed or advanced for any such purpose, or to any government institution, until the financial situation has been thoroughly investigated and some guarantee secured for a proper administration of funds. We have no right to be a party to any transaction which will pledge Chinese securities for purposes opposed by the will of a large section of the Chinese people. Every penny of the increased Customs revenue will be needed to deal with the problem of inland taxation. The provinces will have a clear right to some continuing compensation for the surrender of their right to tax trade within their borders. The first duty of the Customs is to enable China to regularise taxation on trade, and thus to stabilise her economic position. Levies on the Customs revenues for other purposes will undermine the strength of the Customs position by stirring up Chinese agitation, and will thus shake the credit of the country and the security of trade. Irregular provincial taxation is increasing daily in response to the demands for military and other more legitimate local expenditures. It is strangling the trade of the country on which its financial recovery ultimately depends.

It is, of course, highly important that China should meet her legitimate debts and re-establish her credit. But this should be the task of a newly constituted central authority, not a step towards the creation of such an authority—into



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which process it would introduce too many complications and delays.

Such is the general financial position. It is one of confusion and temporary inconvenience to all concerned. But it is not serious. The potential credit of China, resting as it does upon a fruitful soil and a large and industrious population, is well able to meet all existing obligations if once a little system and order can be introduced into the present financial muddle.

Those who have had any long and intimate experience of China shrink from any suggestion of interference with the administration of the country, and, however bad China's financial plight may be, they would be reluctant to urge even an offer of assistance to disentangle the financial knot. The Chinese themselves, however, recognise the serious handicap of the prevailing confusion in financial and railway affairs, and evidence is not wanting that they would welcome some help from outside if they could be sure that it would be of a purely temporary nature, and that it would not interfere with the real administration of the country. It is not impossible, for instance, that they might be willing to formulate some scheme by which foreign assistance could be used in freeing the railways from their present encumbrances.\* It would be a great advantage if at the same time an agreement could be made for the completion of the railway from Hankow to Canton. This would enable the South, the Yangtse Valley and Peking to keep in practical touch with one another and to react effectively upon one another in pursuing a common national policy.

\* In an article entitled "The Malady of China" (see *ROUND TABLE*, No. 49, p. 105), we, last December, suggested for the adequate policing of the railways the creation of a special Chinese police force under a foreign inspector-general, a proportion of whose officers would in the first instance also be foreigners.

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### IV. THE AIMS AND THE ACHIEVEMENTS OF THE WASHINGTON CONFERENCE

**B**EFORE attempting to examine the methods by which assistance could be afforded to China in the most natural and effective way by her foreign friends, it may be useful to review very briefly the events which led up to the Washington Conference. That Conference resulted at least in a general agreement as to the present position of China the mutual responsibilities involved, and the action which seemed most likely to prove helpful to her in her day of need.

Successive dynasties have held sway in the country, each passing away as its power has waned for maintaining security and peace. The mandate of the Manchus was exhausted with the defeat of China by Japan in 1894, the strangle-hold acquired by Russia on Manchuria, the acquisition by Germany of a dominant position in Shantung in 1898, the transference of Russia's rights in Manchuria to Japan after the Russo-Japanese War in 1905, and the general influx of foreign concessionaires which led to prophecies of the break-up of China some twenty years ago. The dynasty hardly survived the events of the Boxer Rebellion in 1900, and, although the old Empress Dowager held her own for a few more years, the revolution of 1911 and the establishment of a Chinese Republic were no surprise to those who watched the increasing discontent in all parts of the country. Foreign aggression, higher taxation and the growing struggle for life in a too densely peopled country bred dissatisfaction among the people, who felt that the dynasty had exhausted the mandate of Heaven and must inevitably pass away. No new dynasty appeared as a conqueror, a republican form of government was tried, and the country lost its one unifying influence when the Son of Heaven and the theocratic idea passed away.

## Achievements of Washington Conference

From 1911 until to-day the forces of revolution have pursued their slow course. Unaided by an effective striking force, with no cue as to the government of a vast and loosely-knit area, and with no experience of modern national finance or administration, the officers of the new republican State soon found themselves powerless to control the provinces, and they surrendered themselves to a hand-to-mouth policy, contracting loans, granting concessions, mortgaging the national assets in response to pressure from newly created native militarists and insistent foreign lenders.

Torn by internal dissensions, China associated herself with the Allies during the great war, hoping that some relief would thus be found at least from external pressure. Her hopes were shattered at Versailles, when the German rights in Shantung passed to the Japanese. That act brought into being the first signs of a united national consciousness, which quickly vented itself in anti-foreign demonstrations. Japan was the most conspicuous figure, and bore the main brunt of ill-feeling. But the other Powers did not escape. England was the ally of Japan, and President Wilson was felt to have betrayed the cause of China. Boycotts ensued, and it was clear that the peace of the East, and the security of foreign lives, property and trade were in danger. The problem of China was accordingly submitted to the Powers, including representatives from China, assembled in conference at Washington in 1921.

The Washington Conference and the ensuing treaties have met with profound criticism on almost all sides in China. The Chinese complain that they did not receive all that they were entitled to from this representative gathering of the Powers. The foreign community in China think that China was encouraged to hope for benefits, and was called upon to carry responsibilities, for which she was entirely unprepared. It is true that China's advocates tended to overstate her case at the Conference

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and so to court criticism. It is also a fact that the internal situation in China has grown increasingly confused ; that she has not been very gracious in her recognition of Japan's honourable acceptance of her Washington obligations—the rendition of her interests in Kiaochow and the Shantung railway, and the withdrawal of her troops and wireless stations and post offices ; and that she has done nothing to justify the hope that she would set her house in order, in preparation for the abolition of internal taxation and the ensuing increase of the Customs tariff, and for measures preparatory to the gradual rendition of extraterritorial rights.

But we cannot overlook the fact that the Washington Conference was a notable landmark in China's history. Responsible statesmen representing every Power interested in the problems of the Pacific studied China's problem carefully and thoughtfully for the first time in company with China's own representatives. And they reached a common understanding as to future policy. It is unlikely that so much concentrated international effort will be expended in regard to China for many years to come. The conclusions reached at Washington, and embodied in the ensuing treaties relating to China, must form the foundation of future policy, and it will be a good thing for China and for all interested in her welfare and in the peace of the Pacific when those treaties become operative.

It is useless and unfair to rail at China for her failure to make good. Her machinery of government has been creaking since the establishment of the Republic. Time and patience and even active assistance from her friendly neighbours offer the only hope of making those treaties effective. International action has been paralysed owing to various delays in the ratification of the treaties, and China and her trade and the interests of her creditors have suffered correspondingly.

The only hope of speedy improvement is offered by action on the lines of the Washington treaties. Whether

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ratification is completed or not, the Powers chiefly interested must soon take some action. The policy which seems to offer the best hope of success is the speedy creation in China itself, but not at Peking, of a Conference on lines similar to Washington. There is no responsible Chinese Government in being, but, if the Powers gave evidence of their intention to proceed with their undertakings, and if the promised Finance Commission and the Commission on Exterritoriality proceeded to China, the Chinese would, we feel sure, find means of providing suitable representation. The method of selecting their representatives must be left to them to determine, and the *de facto* powers, the governors of the provinces and the military leaders, would no doubt secure adequate representation. As to our own representation, it is important to remember that the Chinese are extremely personal in their business and political relationships. Men who have gained their confidence, and a personal prestige based on experience, would accomplish results where strangers would have little hope of success. We are fortunate in having among our elder statesmen and in our services men who are admirably equipped for the work in hand. The moral backing afforded by a gathering of trusted representatives of friendly Powers would be the best possible way of building up some recognised body of authority in China. That would almost certainly lead to the re-establishment of a central Government. Naval demonstrations and hints at intervention are useless. There is no one against whom to demonstrate, no point at which intervention would be either effective or safe. Interference of any sort would merely precipitate boycotts, thus embarrassing both Chinese and foreign vested interests. The Chinese are a sensible, practical people, and it is the duty and the interest and the responsibility of their neighbours who have a greater experience of the machinery of government to go to China, to stand by in a spirit of helpfulness, to hold themselves ready to examine with patience,

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and to support with their whole moral force, the solutions suggested by the Chinese themselves.

There need be no fear that the Chinese will try to precipitate the abolition of extraterritoriality. They are as conscious as we are of the difficulties and dangers involved. But they do ask for a sympathetic consideration of their point of view, for some action which will give promise of the righting of present wrongs and a gradual improvement of the present judicial and administrative situation. The practicability of such action is admitted even by those who are most conscious of the long road that has to be travelled before Chinese and Western codes and procedures can be brought into complete harmony.

Nor need we fear that they will try to avoid their debts. That is not their way, nor their tradition. But they are inexperienced in world finance and may need and request some help in finding methods for payment. Patience and sympathy and quiet unhurried work by experienced heads on the spot offer the only solution. There is no quick or sovereign remedy for the political ills of China. But there is a very real opportunity now for a new start on right lines. An honest attempt to put in practice the reforms outlined at Washington would hearten the solid elements in China, who are suffering far more than the foreigner from present conditions. It would tend automatically to re-establish a central Government. And until some authority recognised by the provinces is once more in being, the interests of the foreigner, his trade, his investments and his very security of life and property are adversely affected.



## Foreign Trade and its Prospects

### V. FOREIGN TRADE AND ITS PROSPECTS

ONE word about China's foreign trade. In spite of civil commotions, brigandage, disorder on the railways and a chaotic copper currency, her trade increases steadily year by year, as is shown by the Customs figures. China is undoubtedly the biggest and best undeveloped market in the world. Her increasing production and prosperity will add materially to the wealth of the world, and may help Great Britain and the Empire in particular during the slow process of rehabilitation in Central Europe and Russia. The Chinese are good producers and born traders, and all who deal with them with understanding speak in the highest terms of their business capacity and integrity. They will buy anything of real and practical value so long as they are shown how to get it and how to pay for it. The country has been self-supporting for so many centuries that it can do without anything from abroad unless it is delivered to its inhabitants under conditions which commend themselves to their practical sense and their national sentiment. It is possible to exploit the representatives of the Government, because they have not yet acquired a sense of national responsibility. It is uncommonly hard to exploit the people.

Experience shows that in this undeveloped country supply creates demand, and the main task of the foreign trader is to learn the arts of distribution. The Chinese is an admirable distributor, but he lacks experience in business organisation and consequent driving force. This experience must be supplied for the present by foreign help if the trade is to be greatly expanded. The volume of trade is still insignificant in relation to the country's producing and consuming capacity, chiefly because so few business houses have been willing to undertake the hardships and risks of direct dealings in the interior.

One other obstacle to any real expansion of trade is the

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irregular taxation in the interior. The provincial exchequers are increasingly in need of funds for military, and even for more legitimate, purposes, such as the building of roads, irrigation works and education. Trade has been fostered by the old treaties, which have done much to regularise taxation. But those treaties did not recognise provincial needs. Provincial tax barriers, *likin*, consumption levies, and such like, are consequently springing up all over the country, taxing foreign and native goods alike, and often paralysing trade. One of the most practical benefits which should result from the Commissions to be appointed under the Washington treaties is the regularisation of internal taxation and the recognition of provincial requirements. That is an absolute essential if the channels of trade are to be kept open.

Real trade, the buying and selling of goods in general demand, is the pressing British need in China at the present time. There has been too much tendency in the past to subordinate the requirements of trade to the insistent pressure of the financier, the concessionaire and the hunter for Government contracts. There has been honest and useful development under each of those three heads, but there has also been much exploitation, and it is bitterly resented by the Chinese people. If British trade is to find the full benefits of the great Chinese market it is essential that our policies should be steadfastly set against every form of exploitation. Our whole national interest has not infrequently been jeopardised by pressure exerted on behalf of unworthy causes. Boycotts and paralysis of trade have ensued. We have reason to hope that a new international era in China was started with the Washington Conference, and this country at least should set its face against any action or policy which is under the least suspicion of not giving the Chinese a square deal.

There is a trade depression at the moment, and the merchant in China is perhaps inclined to attribute it unduly to the disturbed state of the country. The prevailing unrest

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is no doubt partly responsible for the depression, but it is more fully attributable to world conditions. Production in China was unduly stimulated during the war ; many foreign goods were sold to inexperienced Chinese immediately after the war on credit without adequate security ; and the slump in the American and European markets naturally depressed China's products and handicapped her purchasing power. All these factors have embarrassed Chinese and foreign traders and industrialists alike. But trade can and will go on, even if no effective Government materialises in the near future. The foreign merchant will have to work with caution but with enterprise, pinning his faith to the honesty and enterprise of his Chinese customers rather than to Government support. Any interference with China's internal affairs will react unfavourably upon legitimate trade, and it will not be in our national interest to risk such interference for the sake of incautious adventures in the realm of supply or of finance.

## VI. IS INDUSTRIAL DEVELOPMENT A MENACE TO WESTERN INDUSTRY ?

THE industrial development of China must naturally prove of interest to this country, and there is a constant question as to whether her vast supplies of cheap labour, her coal and her facilities for water transport will enable her to compete with more developed countries in the production of the common staples of modern industry. It may be useful therefore to review the present industrial situation in China and to try and estimate what is likely to happen in the near future. During the last few years cotton spinning and weaving have been greatly stimulated, and, especially in Shanghai, there is a tendency for large industrial centres to grow up and to produce practically every article which is in general demand in the country. The Chinese have an undoubted mechanical genius, and as

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a people they are generously supplied with brains. There are few things that the Chinese cannot do. But there is no evidence at present that they have any great desire to throw themselves into the life of our mechanical civilization. Their long tradition of agricultural life, their family associations, and, except in certain districts where the conditions are completely vitiated by over-population or excessive droughts or floods, the peaceful and happy life of hundreds of millions of people scattered over a very beautiful and very satisfying countryside discourages them from the trammels of industrialism. Their civilization has taught them that in the elimination, and not in the multiplication, of needs lies the road to happiness. But for the present over-population of the country, especially in the northern provinces, it is doubtful whether they would have accepted the idea of industrialism even as far as they have done. Added to this, there is little accumulation of wealth in individual hands. Few Chinese have any great personal possessions. Such money and property as have been accumulated are vested in the family or in the clan rather than in the individual, and are therefore less mobile for purposes of enterprise requiring heavy capitalisation. A considerable number of Chinese, however, have recently embarked on an industrial career, and it is not without interest that one of her most famous scholars, Chang-Chien, has founded and become the father of one of her main industrial centres at a little town about eighty miles up the Yangtse. Here he and his family, his friends and his dependents, own or control a number of industries over which he presides in patriarchal simplicity. It is difficult to discover whether the enterprises are conducted with due financial caution, for the Chinese have little experience in such undertakings, and have not yet realised the importance of upkeep and reserves. Chang-Chien's industries, however, appear to be flourishing. His mills are always busy, his fields produce his raw materials, and his people are well content. A great deal of his time and his profits are given up to works of charity. Every form of

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social institution, orphanage and welfare work is cared for under conditions which show the Chinese idea of the brotherhood of man and the right of all to participate in such advantages as come from joint endeavour. In this little territory there has never been any sign of industrial unrest. In the larger centres, however, such as Shanghai and Hankow, and along the railways, there is a growing sense of dissatisfaction with the new burdens of industrial life. People from the countryside drift into the mills and factories when crops are bad and conditions hard. At first they came in only as a temporary expedient, returning to their homes for the family festivals and for seed time and harvest. But every year marks the consolidation of real industrial communities, whose home is in the city and whose work is confined to regular shifts in the factories. It is not surprising that industrial conditions should weigh heavily upon a people with a universal tradition of village life. They are shut off from their simple religious festivals and family gatherings, from the occasional travelling theatre, from the reverence for their ancestors, from the handing on of tradition, which is their great and true form of education. And there is a consequent discontent. The family life of China exercised a marvellous discipline over its members. They surrendered much of their individual freedom in the interest of the community. But they retained an independence of all outside interference which has made them perhaps the freest people in the world. If industrialism is to succeed in China, it will be essential to realise these deeply rooted instincts. The hope of a definite money wage is a great lure to the lad or the girl from the country, who has known nothing of money in the past, and who finds the village lands increasingly burdened with the growing population. But town life is very expensive in China. Rents in such places as Shanghai are higher than in most of the great cities of the world. The cost even of their simple food and clothing is a heavy toll on their wages, and it is a question whether in the long run China will be able

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to produce much more cheaply than countries with a higher standard of living, where town life and industrial monotony are accepted as normal conditions of life. The Chinese are undoubtedly an industrious people. They will work in their fields from dawn till dusk unceasingly at times of high pressure. But they are also accustomed to long periods of rest, and they have an immense appreciation of all that that rest means, of the quiet elegances of life, of natural beauty and of social communion. There are at present no indications that China will jeopardise the industrial domination of any other country. She will no doubt pursue her present experiments. She may supply a great many of her own needs, may even export her products to the West, as she exported Nankeens for the breeches of our great-grandfathers. But the Chinese are essentially humanitarians, people of common sense, people with trading instincts and with a generous, humorous outlook on life in which the doctrine of give and take holds a very high place. There are as yet no signs that we have anything to fear from their industrial development. If they succeed in producing some of the things which we need, it is very sure that we shall continue to produce many of the things which they need. They cannot send their things to us unless the ships take back to them the things that we ourselves make. The increasing creation of wealth in China should prove an addition to the wealth of the world.

## VII. THE WORK OF THE MISSIONARIES

THE missionary body is very strongly represented in China, where representatives of all the churches have pursued a courageous and self-denying policy, often under conditions of great hardship and even of danger. Their homes are scattered throughout the interior and, at least by their example, by their interest in education and by their medical work, they have won many friends



## The Work of the Missionaries

among the Chinese. It is difficult to assess their exact influence on the spiritual life of the Chinese communities. The religion of China is a very intimate thing, bound up with the life of the family and the home. When one travels through the villages, one sees the taper lit before the family tablet in the evening, and hears the gong calling the attention of the spirits to the little sacrifice of prayer or of gifts which is offered day by day. The continuity of the family life as represented by the worship of the ancestors enters so deeply into the very existence of the Chinese as a people that it seems almost impossible to eliminate it without destroying the whole social structure of the country. To claim that the Chinese are without religion and a spiritual concept of life is to show lack of understanding of their life and thought; for they are in so close an intimacy with the spiritual world that it has become to them a natural and everyday thing, hardly to be spoken of, and evidenced only by their daily life. So much for the spiritual side. The sayings of Confucius and his disciples and commentators provide the ethical, the social, and to a great extent the economic, foundation on which the life of the individual, the family, the village and the State are based—not in a mere formal sense, but in actual reality. A number of the more thoughtful missionaries nowadays undoubtedly have grave questionings as to the influence of dogmatic teaching on all that is best in Chinese life; and one of the most hopeful signs in China is a communion of thought in which all the Christian churches tend to gather on the same platform in a spirit of tolerance which has claimed high respect from the Chinese. There now seems a possibility that within a few years we shall see a Chinese Christian Church, directed by Chinese, and evolving from the simple life and words of Christ a spiritual renaissance which will be in no way incompatible with their own cherished traditions.

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### VIII. CHINA'S NEW BIRTH

IN spite of many indications of unrest on the surface there is substantial evidence of a general renaissance in China, and of a more vital spirit than has been apparent in the last half-century. The figures of trade show a steady increase, experimental industries are springing up along the waterways and railways under Chinese supervision, the internal administration, in spite of everything, remains comparatively stable and effective, roads are spreading throughout the country, the towns and villages are being immensely improved, and there is a general sense throughout the interior of a brighter and more vigorous life and thought. Twenty years ago the country was going through a period of despondency. The aggressions of various Powers had endangered some of China's soil and China's sovereign rights, the opium habit had a stranglehold upon the people, and a spirit of depression was abroad. There is a very marked improvement nowadays. Native opium is, unfortunately, still cultivated and used, but the younger generation is free of the evil, the fashion of smoking it has passed, and it no longer saps the manhood of the people. Thought, education and effort are everywhere apparent. Many of the young men who have been educated abroad are coming back with new ideas, some of them no doubt ill-suited to China's own civilization, some of them ill-digested and disruptive in their tendency. But on the whole these influences will have a stimulating effect. The foundation of Chinese life is so stable and so tough, the vitality of her people so splendid, that she will certainly digest all these new elements and use them for her own strength. She has already learnt to repel aggression from outside by the overwhelming force of organised boycott. She is determined to work out her own salvation, and she will use the

## China's New Birth

foreigner only so far as she is convinced that his services, his money, and his goods can be used for the development of her own idea of life. Whatever may be done to assist China in her present moment of need, it is vitally important that her real desires and her natural aspirations should have every consideration. She will, no doubt, try to free herself from the trammels of the old treaties. The Washington Conference realised this in a spirit of generosity and in a real desire to help. Let us not be impatient with the troubles that appear on the surface. The country is too big to be dealt with in any sudden and violent way. We must remember that even in the time of Confucius the countryside was beset with brigands and with warring factions. For 2,000 years the history of China has been a history of rebellion. But these rebellions have not disturbed the social fabric of that great system. It is as elastic as the system of England and every bit as full of vitality and life. It must in the last resort work out its own salvation. All that we can do is to stand ready to help when we are called upon to do so.

## ITALY UNDER MUSSOLINI

### I

**I**N December last, an article appeared in *THE ROUND TABLE*\* dealing with the character and causes of the revolution which had two months before carried Signor Mussolini and his black shirt bands to power. As to the probable consequences of that event it was too early to do more than suggest alternative possibilities. After nine months certain things begin to emerge.

To take the internal aspect of affairs first. The Fascist revolution has not yet adapted itself to constitutional liberty and parliamentary government. The reason is, mainly, because the Fascisti prefer that it should be so. Some of them, including their leader, according to his own account, think that a long term of despotic government will be necessary before liberties as large as those held under the old parliamentary system can safely be restored. Others, making a cult of violence as the splendid privilege of "youth," are in theory and temper opposed to liberty of speech and Press and to parliamentary government. They regard these things as having had their day, and as "antiquated Victorian ideals" (to borrow a phrase from our own island), as slow, bourgeois, mediocre. For Fascismo has drawn much of its spirit as well as many of its leaders from the advanced revolutionary parties.

The municipal elections have in many places been carried through by the armed hand of the Fascisti militia, without

\* *THE ROUND TABLE*, No. 49, December 1922, p. 30.

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any pretence of freedom of voting. In most places the police do not dare to act against the wishes of the Fascisti. Many of the cities of Italy are, as in the Middle Ages, subject to the rule of revived *Capitani del Popolo*, as we might call the Fascist officers: some of them are sensible and tolerant young men, others less sensible and less tolerant. It would be a mistake to suppose that this supersession of the liberties which the country has enjoyed for two generations past is generally resented. But Fascismo is less universally popular than it was nine months ago, because the loss of liberty is evidently not an expedient for the moment of revolution, but an essential part of the Fascist programme.

The Italians are still grateful that order is preserved, that work goes on daily without strikes, lock-outs or disturbances, that property is safe, that the central bureaucracy at Rome—the “Whitehall” of Italy—works more zealously and efficiently than of old. These are very real benefits, but the price paid has been a great diminution of liberty, and the rule of an armed faction. The balance of loss and gain is becoming more apparent and is differently viewed by different people.

The worst fault of the Fascisti is impatience of criticism. They seem to regard even the most moderate critics of their action as public enemies, and in too many cases they treat them as such. This severe practice is the more unnecessary and regrettable, because the new Government is really very popular, and most of its critics by no means desire its overthrow. It is fully recognised that the choice lies between Signor Mussolini and chaos. The Fascisti, some hold, have done more to endanger than to secure their power by their recent persecution of some of the best and most orderly elements in the life of the country. But their power is still safe.

Not even a Fascist deputy can speak in Parliament against the abuses of his own party without grave risk (as an unfortunate incident has proved) of being beaten within an inch

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of his life as he leaves the Chamber. The system of personal assaults cows criticism in all save the boldest. Opposition journals of the highest standing are being bought up or silenced by fear. The warfare of Fascismo is directed now not so much against the Socialists, who are down and out, as against those sections of the Liberal party and the *Partito Popolare* (Catholic Party) who still claim the right of criticising without endeavouring to overturn or replace the Government. It was just and necessary that the Physical Force Communists, when the former Governments failed to suppress "red" terrorism of the country, should be met by the Fascisti with their own weapons. But people are now being threatened with the violent "discipline" of Fascismo, who themselves never resorted to violence and who are of all men most opposed to its use. They include some of the best friends England has had both before, during and after the war.

It is indeed possible, as it is certainly greatly to be hoped, that we have already reached the high-water mark of Fascist intolerance, and that the natural good sense and kindness of the Italian nature will reassert itself in answer to an undersurface swell of public opinion in favour of more liberty and less terrorism. It is a happy sign that as recently as the end of July Signor Mussolini suspended the application of the proposed law for muzzling the Press through administrative action, which had been drawn up on the lines of the French Imperial law of 1852. Signor Albertini, of the *Corriere della Sera*, the best paper in Italy, still maintains a temperate and courageous criticism such as any Government ought to be only too glad to have directed on its policy and acts. The *Corriere* lives under constant threat from the Fascist bands, but so far the Government has respected the liberty of the great paper. Commenting on the suspension of the proposed Press restriction law, the *Corriere* writes :—

If the evolution of Fascismo takes place within the constitution and in respect to the liberty and the guarantees that it sanctions, our



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greatest wish would have been attained and the aims to which the *Corriere* has constantly dedicated the whole of its activities will have been reached.

Perhaps Signor Mussolini should have held a general election as soon as possible after the revolution last autumn. He was regarded, with justice, as the saviour of the country, and he could then have obtained a Parliament devoted to his cause. He could have secured a great majority without resort either to methods of Fascist violence, or to the influences and chicanery of which Signor Giolitti and the old Governments were adepts at election time. But he decided to go on with the old Parliament, which had consented to become his obedient instrument. And now, apparently, he begins to fear that he has overstayed his electoral market. It may be doubted if he has really done so. But to make assurance sure he has forced through Parliament by his powerful will a new electoral law calculated to secure power for his party during the lifetime of the next Parliament. This result is to be obtained in the following manner. The new law will give two-thirds of the members of the Chamber to whatever party obtains a larger number of votes at the election than any other single party, even if it were in a minority as against the other parties combined. It is calculated that next time this party will be the Fascisti. But in 1919 it would have been the Socialists !

How far is this partial suspension of constitutional life in Italy to be attributed to the bad effects of the law of Proportional Representation ? No doubt that law had made it more difficult for any single party in Parliament to obtain a majority and to govern strongly and fearlessly. But that difficulty existed in Italy long before Proportional Representation came into force. At worst the evil was only increased by that measure. But after the war the rapid fall of Government after Government every six months, and the weakness in face of disturbers of the peace shown by each successive group of Ministers " clothed in a

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little brief authority," frightened and disgusted the Italian people and has led to the suspension of genuine parliamentary government. The party now in power, by a natural but exaggerated reaction, thinks that it is the chief function of Government to silence all opposition and to make itself obeyed by fear.

The lesson to be drawn from these events may or may not contain a warning against Proportional Representation. But it certainly conveys a warning on a more general issue. It is a warning that the first business of parliamentary institutions is not to represent to a nicety the balance of the various opinions in the country, but to supply the country with good government. People require to be governed even more than they require to be represented. The acceptance by the English of the Tudor despotism, after parliamentary government had led to the Wars of the Roses, is an example of the same law; it holds good inexorably for all ages and all countries.

The Fascisti bands and their local leaders have made for themselves more enemies than they had nine months ago. But Signor Mussolini himself is more popular than his rather ill-disciplined militia. He is, perhaps, as popular as ever, on the balance. In Sardinia and the South, as his tour in those backward districts showed, he is regarded as the Man, the demigod, who has come to give the poor what no Parliaments, no Socialists, no election-mongers have been able to give them—the definite things they want, such as abundant water supply, release from the scourge of malaria, more administrative assistance in return for less crushing taxes. As he passed through some of their villages men went down on their knees to him with cries of joy. To the uneducated simplicity of the South, to long-neglected Sardinia, and to some extent to the North also, Mussolini still appears as the short-cut to the things which the poor in Italy desire and have never known how to get either from the *mali governi* of old or from the modern parliamentary system. He is still confident that he can

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get them these things, if he is not trammelled by Parliament. He may yet make good his words. There is certainly more field for popular dictatorship of the Carlylean type in Italy than in Great Britain or the Dominions, where committee work and representative government are in the blood and custom of the people. In Italy the tradition of the *Capitano del Popolo*, the "Good Duke," the Dictator, is native of the soil. Mussolini even argues that the *Risorgimento*, though a revolution in favour of liberty and liberal ideas, was carried through by the practical dictatorship of Cavour. There is a measure of truth in this. But Cavour desired to establish liberty and parliamentary government; he was both by theory and temperament far more patient of criticism and even of opposition than the leader of the Black Shirt bands.

Can Signor Mussolini, by these dictatorial methods, get things done, or will he stop short at saying that he is going to begin? That is the question on which the social and political future of Italy will largely depend, and he is a bold man who ventures to prophesy the answer. Signor Mussolini sees that, for financial and other reasons, the social and administrative reforms which he has promised must take a number of years. He is therefore taking steps to secure a long lease of absolute power. He is a strong man, a fearless man, a sincere patriot. The task he has shouldered is colossal. We await the issue.

Meanwhile, the Vatican is backing him up, somewhat to the dismay of the majority of the *Partito Popolare* and its democratically minded founder, the priest, Don Sturzo. And the Labour organisations are drawing into closer relations with the Government. Signor Mussolini's position, in fact, is still so strong that it is difficult for British observers to understand why he should resent and repress criticism and freedom of speech, which in our Commonwealth we have long learnt to regard as safety-valves. It is always possible that we are not good judges of the internal affairs of Italy. But we can at least be sympathetic and interested

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spectators of a political development which for good or evil is of immense significance.

### II

WHEN we turn to foreign affairs there is much in the recent development of Italian policy that gives us cause to rejoice. The increase of good relations with Great Britain is the more remarkable because the parliamentary and Liberal parties who have fallen from power and been put to silence as a result of the Fascist revolution contained most of the distinctively Anglophil elements in Italy ; while the Fascisti, and still more their allies, the Nationalists, were Xenophobe and therefore Anglophobe. The wilder spirits of the movement had learnt from D'Annunzio and others to call for the destruction of the British Empire as a preliminary either to the revival of the Empire of ancient Rome by modern Italy, or to the "liberation" of all the peoples oppressed by Great Britain—or to both these things at once !

Such wild talk, in which Signor Mussolini took his share just before he attained power, was, perhaps, only an Italian way of saying that the speaker deeply resented the ingratitude shown to Italy by a large part of the British Press and people in the unhappy period immediately following the Armistice. The first result of our common victory was mutual misunderstanding. Over here Italy's motives for entering the war were grossly misinterpreted, her war sacrifices minimised and her contribution to the final victory absurdly underrated and by some denied altogether. Our enemies, the Croats, who had fought so gallantly on the other side, were preferred in many quarters to our allies, the Italians. But English ingratitude to Italy was a phase that has passed away with many other illusions of 1919-1920, and largely for that reason the Anglophobia has correspondingly died down in Italy. There was a

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renewal of Italian irritation when we supported the Greek claims in Asia Minor without any regard to Italy's views on the Near East ; but that also is now a thing of the past. The recent reception of King George and Queen Mary in Italy was as warm and generous and universal as heart could desire.

Moreover, Signor Mussolini is a realist. And power has revealed to him the realities of the European situation. He saw at once that he must accept the Treaty of Rapallo, which, by conceding Dalmatia, secured peace with the Jugoslavs. The very fact that he represented the parties that had most bitterly denounced that Treaty made it possible for him to get it accepted, just as the participation of Unionist statesmen was required to get the Irish Treaty accepted without reserve by Great Britain.

But the question that most concerns us all is the Franco-German conflict over Reparations. Here there has been a steady development of Italian popular opinion and governmental inclination towards the same general point of view as that held by the British people and Government. Italy, like Britain, has a strong material interest in the restoration of central European prosperity and commerce. Italy, like England, can never thrive as she thrived before the war until Germany and Europe are again in economic working order. Italian commerce suffers as much as our own from the present condition of Germany.

Neither have the Italians any consciousness of ancestral feud with Germany as a State. The Austro-Hungarian Empire, with whom Italy's real quarrel has always lain, has disappeared for ever from the map. Austria-Hungary is a thing of the past, "an historical expression." Germany indeed remains, but Germany is not Italy's next-door neighbour, and is most unlikely again to attempt to make Italy into a vassal State in a Teuton system. That plan, the danger of which did much to bring Italy into the war on our side, is no longer possible now that Austria-Hungary no longer exists as Germany's pathway to domination in

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Italy. On the other hand, Italy still has France as a next-door neighbour, and she fears French military domination in Europe and in the Mediterranean. She dreads the French monopoly of the coal and metal supplies of the Continent, which, if permanently established, would render Italy dependent upon France. Like England, Italy finds her constant policy in the balance of power in Europe, both military and economic. Neither are the Latins of the North sympathetic personally to the Latins south of the Alps. They make even less effort than the English to be pleasant to the Italians. The English, besides, have the advantage of being further away.

For all these reasons it is very rare to hear an Italian say a good word for French policy in the Ruhr. There is in Italy at this moment no pro-French minority, such as exists in England.

Why, then, the reader may ask, did Signor Mussolini take up a position midway between that of France and that of Britain on the occasion of Mr. Bonar Law's original proposals? Why did he not then go as far as, or further than, our Premier? The answer is twofold. Signor Mussolini was then new to his place, and had not had time to take in the whole position. Secondly, it was most unfortunate that the meaning and merits of Mr. Bonar Law's proposals were not properly explained; were certainly not made clear to Italian public opinion, especially as regards the deliveries of German coal to Italy during the period of the proposed moratorium. The Italians had suffered terribly in the years immediately following the Armistice, because, at a time when they could get little coal from Central Europe, Great Britain adopted the policy of raising the price of our coal to extortionate heights for our ally while reducing it artificially for the British consumer. Therefore, the Italians naturally, though mistakenly, saw in Mr. Bonar Law's scheme an attempt to recover that monopoly by stopping for a further term of years the supply of German coal for Italy. And the Italians did not venture



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to break with France for fear that she would deprive them entirely of the Ruhr coal.

But the result of trying to keep in with France by partially accepting her Ruhr policy has proved a very bad bargain for Italy. This is fully understood now, and the Italian Government gives general support to Mr. Baldwin's attempt to settle the Reparations question and to pave the way for French retirement from the Ruhr. But Signor Mussolini will not give effective support to Great Britain unless the question of inter-allied debts is settled at the same time as Reparations. We cannot expect the Fascisti to give us unconditional support. Though they are no longer Anglophobe they are not Anglophil, and the debt is as important to them as Reparations.

It is to be hoped that England and Italy will soon be acting together on these great questions. But if we want the Italians to act with us, we must treat them as equals and as friends. The Fascist revolution was, in one of its many aspects, a declaration of independence on Italy's part in face of foreign peoples and Governments. It is to be hoped that the British Government and British Press have come to understand, at last, that Italian feelings and wishes have to be taken seriously into account. If so, there is room for hope in the near future.



## AMERICAN AFFAIRS—THE REVOLT OF THE MIDDLE WEST

ON July 16 an election was held in the State of Minnesota to fill a vacancy in the United States Senate caused by the death of Knute Nelson. There were three contestants—J.A.O. Preus, the Republican Governor; State Senator James A. Carley, the Democratic nominee; and Magnus Johnson, of the Farmer-Labor party. Realising that their candidate had no possible chance of success, and thinking that the mere remnant of their own party might survive better by hiding in the Republican tents than by joining pell-mell in a new and tempestuous movement, many Democrats went over to Preus. Thus two principals remained in the lists: and, in a fashion, it was the second phase of the fight between them, for eight months ago Preus defeated Johnson for the Governorship by a majority of fourteen thousand votes.

In the July contest two main issues stood out under many guises—"conservatism" against "radicalism," and government by the old recognised parties against government by a new political organisation. These issues were clearly defined and proclaimed on both sides; but as the campaign progressed, and Johnson's position became stronger than ever, his opponent made several striking concessions. He refused the help of Republican speakers from outside the State, including the President; he admitted that a downward revision of the existing Republican tariff was imperative, and he urged the adoption of a national

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farmers' co-operative marketing law. Yet despite these attempts to cut the platform from under his feet, the candidate of the Farmer-Labor party was elected by a plurality of 95,000 votes in a State which the Republicans had carried by 376,000 in 1920. Johnson will take his seat in the Senate beside Henrik Shipstead, who was returned from Minnesota in the elections of November, 1922; and this second Farmer-Labor victory sets the seal of ratification upon the first.

There is no reason why people abroad should not be permitted to share in the amusement which the new Senator's description of himself has caused. Let him repeat what he has already said to reporters: "You see, I used to be a glass blower in Sweden before I was a farmer, and blowing glass makes big lungs, and that is what I've got." "I got a pretty good farm, and I got a good-size mortgage on it, and I got a wife and children, and I got twenty-four cows, and my wife and children milk those cows too." "I don't believe in digging too deep into things. I am for the common people, and I want to be common. I don't give a damn for books. I want things that are alive, not things that have been dead for a thousand years. I have read more histories than any man, but only about Lincoln. I stand where he stood. He was a great man. I quote him in my speeches." In the matter of foreign policy he will defer to the views of the progressive senators who have lately been in Europe. On domestic questions he is prepared to follow the programme of Senator La Follette of Wisconsin, which reads:—

The Progressives in the next Congress propose to repeal the Esch-Cummins railroad law and reduce the ruinous existing freight rates; to reduce the burden of taxation on the common people—the consumers; to enact and enforce absolute publicity of all income tax returns and stop dishonest tax dodging by trusts and millionaires; to deal firmly with the monopolies in oil, coal, lumber, sugar, meats and other necessities of life; to call the gambling organisations to account and insure fair prices in grain and other farm products; to curb militarism and imperialism—the twin inequities which over-

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whelm the people with taxation, beget foreign complications, and inevitably breed foreign wars, and to mete out merited punishment to the profiteers and grafters.

The limiting factor seems to be that our "Magnus" was elected merely for the unexpired part of Senator Nelson's term, so he must bring his betterments to pass by 1925. He has anticipated this difficulty, however, for he says that he will run for office again.

### I

ENOUGH indulgence to the Comic Spirit, for it is a serious matter; and this newcomer to the Senate—coatless, collarless, forceful, genial—can well afford to rest on the handle of his pitchfork under the heat of the sun and watch amusement in high places turn to consternation. Let it be understood that Johnson's victory in Minnesota added virtually nothing to the facts disclosed last November, when the Republicans saw their 1920 majority of 7,000,000 votes disappear into thin air, their leadership in the Senate cut to a nominal ten, and their control of the House reduced from 168 to 18. It was then that they first heard their tariff denounced, their claim of prosperity hooted down, and had their plea for support of the "regular" organisation thrown back in their faces. A shot was fired across their bows. But for some reason best known to politicians, the warning was not heeded. Though momentarily stunned, the Administration regained its equipoise and steered straight down its course. In July a second shot was fired which exploded in the middle of the deck. That, in brief, is the meaning of the Minnesota election. The Middle West is in revolt. It demands that it be taken seriously in the East, it has serious grievances, it insists that these grievances be attended to, and it is united in saying so.

The root of the revolt is social—a deep-seated antagonism of which the East is only dimly aware. People who live

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along the Atlantic seaboard have realised that on particular issues their views have differed from those held in the Middle West. They have not known how bitterly their own quiet assumption of intellectual superiority, of higher culture and of broader mindedness has been resented by those whose opinions they have been pleased to discount as "provincial." The appearance of somewhat *gauche* figures like Senator Brookhart and Magnus Johnson in politico-social circles, straight from the wheat fields, has been greeted sometimes with tolerant amusement, sometimes with chagrin. "What is the country coming to, if men like these are to appear on the floor of the Senate?" And whenever such a remark has been caught by sensitive ears beyond Chicago, strength has been lent to the "movement" and stature has been added to its idols. There is a far deeper rift between the two sections of the country than is commonly supposed. The man from the Middle West looks askance upon a fellow-townsmen who visits Boston from choice, much as the average Easterner regards his fellow-townswomen who are presented at the Court of St. James. Just as the people of the United States, by and large, are afraid of the "wiles of European diplomacy," so the people of the Middle West are in terror of the designs and machinations of "Wall Street." And they think of Washington as a place dominated by these effete and insinuating influences, set apart from the traffic of life, and unduly concerned with the problems at its own door—the Geneva of the American continent. So it runs. The grievance is partly imaginary, partly real, intangible, illogical, visceral. Against it overtures, disavowals, promises and sweet reason make little headway. Canadians, it is said, feel this same undercurrent of hostility toward the people of the United States. Americans, for the most part, feel it toward England. Perhaps no one but a Canadian or an American can understand the social aspect of the revolt of the Middle West against the East.

Some progress will have been made when political

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leaders and Congress grasp this one point. A further step will be taken when an attentive hearing is given to economic considerations underlying the movement. Biased statements from many sides have been made with respect to the condition of the farmer, but one may rightfully expect to find the fairest presentation of the facts in the reports of the Secretary of Agriculture, for he is at once a member of the Administration and the official advocate of the farmers' interests. Under date of November 15, 1922, in an annual report to the President, he speaks of "the greatly reduced purchasing power of the farmers, who comprise about one-third of our population, caused by the decline of prices of farm products to below the pre-war level, while prices of most other things remained from 50 to 100 per cent. above pre-war level." And again, "In August and September, 1922, a given unit of farm products could be exchanged for only about two-thirds (64 per cent.) as much of other commodities as that same unit would have purchased in the year 1913." Among the causes which he cites as contributing to the abnormal relationship of farm prices to the prices of other things are :

*Over-production of many farm crops.*—For three years in succession the farmers of the United States have produced more of some crops than could be sold at prices high enough to cover production costs.

*Continued high freight rates.*—Rates still remain far above pre-war levels and constitute a heavy burden on agriculture.

*Continued high wages in industry.*—Wages of men working in organised industries are perhaps within 10 per cent. of the high level of 1920. These wages are carried into the price of the things produced. The farmer's income on the other hand is down to or below the pre-war level.

*Economic depression in Europe.*—[It] tends to narrow the outlet for our surplus crops. . . . Another phase of the export movement is the postponement of European buying. In times past the tendency was to come into our markets promptly and lay up farm products in store. Now the tendency overseas is to use up all available domestic supplies and import as little as possible. This requires us to hold our own exportable crops longer than before, and adds to our credit and storage difficulties.

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*The burden of taxes.*—In most farming States, taxes on farms have more than doubled. On 155 farms in Ohio, Indiana and Wisconsin, taxes . . . absorbed one-third of the farm income in 1921, as compared with less than one-tenth in 1913.

Here, then, is a formidable problem. Add to it those fantastic factors which the farmer himself conjures up—the “gamblers” on the Chicago Board of Trade who sit at their “roulette wheel” and capriciously decide what price they will pay him for his product; “railroad magnates,” bleeding him with their high rates, and so firmly entrenched at Washington that they have been able to secure a  $5\frac{3}{4}$  per cent. return on their operations guaranteed by the Government; the “wolves of Wall Street,” whose sinister influence is supposed to shadow every bank in the grain section—and once the canvas has been lit by these lurid colours, the difficulty of finding a solution is greatly increased.

Now Congress, as a matter of fact, has lately passed certain measures intended to alleviate the situation. The Federal Reserve Act has been amended to secure adequate representation of agricultural interests on the Reserve Board. The Packers and Stockyards Act promises assurance that free competitive conditions will be maintained in the live-stock market. And the War Finance Corporation, which has long outlived its season but not its usefulness, has advanced hundreds of millions of dollars, which have made it possible for farmers to refund their outstanding obligations on easier terms and to reduce the rate of interest on their mortgage loans. Indeed, in the same report in which the Secretary of Agriculture so clearly set forth the economic basis of the farmer's condition, he was also able to say that “no Congress in our history gave more extended, sympathetic, and understanding consideration to agriculture than the Congress which convened in March, 1921.”

In the next place, so far as the position of the farmer is concerned as compared with other enterprises, the President of the Continental and Commercial National



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Bank of Chicago has pointedly remarked: "What the apostles of woe studiously refrain from explaining to the farmer is that he is a business man and is undergoing only the trials and tribulations that other business men have weathered and are still experiencing. . . . They are working out of their troubles. So will the farmer. Readjustment is coming to him last—perhaps more tardily than it ought to. But he is no exception to the rule." It is hardly to be expected, however, that either the farmer or the political spell-binder will pay attention to counsel of this sort. As one observer has just written, at the conclusion of a trip through the Middle West:

Talk to the Iowa farmer in the language of John Stuart Mill: argue with him about the inexorable law of supply and demand: plead with him that the world, in an economic sense, is upside down; show him that "all the King's horses and all the King's men" cannot put the agricultural Humpty-Dumpty on the wall of prosperity again by mere Act of Congress—urge any and all of these things as plausibly as you may, and you leave the horny-handed (and hard-headed) son of the soil not only unconvinced, but probably indignant with you for attempting to beguile him with false words.

For he has been beguiled by false words before. He realises it now, and when he and his spokesmen denounce the Administration it is chiefly on that account. Those who now persuasively plead with him that his state cannot be improved by Act of Congress told him in 1921 that it could, when the Tariff Act was passed. Effective duties were imposed to protect the manufacturer, and these duties raised the price of the commodities which the farmer had to buy. Ineffective duties were imposed on considerable agricultural imports which, he was assured, would keep the price of his grain at a level with the increased cost of his requirements. In spite of these duties, the bottom has fallen out of the wheat market. And when the representatives of the farmers' interests demand in radical and rebellious language that their grievances must be seriously attended to they mean that they have been fooled for the



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last time. Senator Brookhart, just back from Russia, with some pretty unpalatable things to say in defence of the Soviet *régime*, has requested the President to call a special session of Congress to consider the farmers' case. Gray Silver, Washington representative of the American Farm Bureau Federation, has asked the President to advise the farmers "to withdraw from the visible supply for this year a minimum of 200,000,000 bushels of wheat by warehousing . . . to be financed through the intermediate credit banks and not to be distributed during this consumptive year." But these recommendations have not been accepted. Meanwhile, the price of wheat has gone still further down; and though it is extremely unlikely that either or both of these suggestions would accomplish their purpose, the President's apparent lack of sympathy has made the Administration more unpopular than ever.

So much, within the limits of space, concerning conditions responsible for the upheaval in the Middle West.

## II

AT first an attempt was made to minimise the significance of Magnus Johnson's victory. Disgruntled farmers, it was explained, were goaded into voting for him by the fall of the price of wheat to less than a dollar a bushel five days before election. An analysis of the returns showed, however, that the city districts, as well as those of the country, had gone for Johnson. By no magic of interpretation could it be regarded as anything else than a radical third-party triumph brought about by the combined support of farmers and laborers. But, after all, it was then argued, these wild men have a way of changing their spots when they enter the Senate. Before they can confidently rise to speak they must spend months in mastering the intricate procedure which orders its delibera-

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tions. Constant association with a large body of men, and a slow but sure recognition of the value of compromise, are both moderating influences. Such philosophic reassurances may still obtain a hearing in the leather recesses of the club, but apparently they have no meaning to those politicians whose very livelihoods hang upon an ability to read signs. They are behaving like refugees who have survived one cloudburst and cannot see how to escape the next. Others, with less personal concern and therefore with less excitement, are trying to foresee some of the consequences of the "movement"—economic and political. The path leads straight into the field of speculation, but that is unavoidable. For two questions must be asked, and an attempt must be made to answer them: (1) In what sense is the movement "radical," and what is it likely to accomplish on the economic side? (2) To what extent is it the nucleus of a new third party, and what political influence is it likely to exert upon the next Congress and the next Presidential election?

Something of the character of the Farmer-Labor party may be gathered from its history. In 1920 two conventions met in Chicago, one representing a so-called Labor party which had been founded several years before by the Chicago Federation of Labor, the other representing a congeries of dissatisfied persons and groups who had permitted themselves to be styled, and directed by, a "Committee of Forty-eight." These two conventions sought to agree upon a common platform to serve as the basis of a national third party. After days of tentatives a joint meeting was held at the headquarters of the Labor group. "They came back from the ride with the lady inside"—a Farmer-Labor party without a vestige of the Committee of Forty-eight to be seen. Under this title a national campaign was fought in the elections of 1922. Henrik Shipstead was returned from Minnesota, and in more than one contested State the Farmer-Labor party joined with Republicans or Democrats to elect a man who

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was really of their own choosing. In July of this year representatives of the new party met again in Chicago in an attempt to enlarge its power by absorbing other Labor groups. Among those who were invited were delegates of the Communists—the Workers' party—who presented a platform so radical "that if it were adopted it would kill the Farmer-Labor party and mean death to the ambitions of the working class for twenty years." This was the view of John Fitzpatrick, President of the Chicago Federation of Labor, under whose leadership an open breach occurred. As a result, the Farmer-Labor party will continue, somewhat diminished in numbers, but purged of the extremists who forsook it for Communist leadership.

Senator Brookhart likes to be known as a "radical"; Senator-elect Johnson describes himself as one. A questionnaire on the matter might enlighten both of them and serve to calm people who have begun to get alarmed about their views. But be that as it may, the vast majority of their constituents are no more radical than Samuel Gompers, the head of the American Federation of Labor, whose name is anathema in places abroad where something about radicalism is really known. Nor than Gray Silver, representative of the agricultural element at Washington, who is a skilful and patient lobbyist. Nor, indeed, than any one of several million farmers who, in spite of their present violent dissatisfaction over prices, still constitute the bulwark of American conservatism. Through all that Middle-Western country boys receive their schooling at the expense of the State; they attend Universities where the State provides free tuition; they go to agricultural colleges whose operating funds are derived either from the State itself or from the sale of public lands once dedicated to this purpose by Congress. They return to farms which the Government gave to their fathers as free homesteads. To them the Government is the source of many of the good things of life, and they are now looking for more of them, at a time when the memory of blessings received is some-

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what obscured by the fog of bad times. As William Hard recently observed in the *Nation* :—

In harmony with the traditional tendency of the West to strike the rock of governmental action for the outpouring of private prosperity, these radical farmers and their representatives are conscious of no departure from our institutions, and they advance into the approaching national legislative struggle not as soldiers of any new philosophy of society, but as defenders simply and explicitly of the doctrine that what the Government has done on behalf of "the interests" it shall now do on behalf of the people.

What they will accomplish in the next session of Congress, beginning in December, 1923, is purely problematical. In the Senate there will be two representatives of the Farmer-Labor party, reinforced by eight others who have found it convenient to be elected under the Republican or Democratic ægis. Therefore, so far as voting power is concerned, the Farm *bloc* strength may be put at ten, the Democratic at forty-two, and the Republican at forty-four. The Farm *bloc* obviously holds control, and it becomes even more obvious when one remembers that Senators Borah, Hiram Johnson and McCormick are rather too tangential to be counted upon to make up the bare Republican majority. That small squadron will blow where it listeth. Similarly in the House of Representatives—some thirty members are said to compose "the La Follette group," far more than enough to wield the balance of power. In such a state of affairs it is clear that the Farm *bloc* cannot carry through any constructive measure in their own interest single-handed. It is equally certain that the Democratic members will not join with them to promote constructive legislation under a Republican *régime*. For, first of all, their divinely appointed task is one of opposition ; and in the second place, the present widespread hostility of the Middle West toward the Administration is the only trump card—the only face card—which the Democrats so far hold for the political game of 1924. It is hardly agreeable with human experience to expect that they will throw

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it aside by helping the farmers to remove their own grievance.

What, then, may the Farm *bloc* hope for in the way of assistance from the nominal Republican majority in both Houses? An innocent-looking question, but it has teeth. For if a step should be taken which is really constructive from the point of view of the Farm *bloc*—if a subsidy should be granted to sustain the price of wheat; if Senator Brookhart's sweeping proposal should be adopted "to give a fair field to co-operative enterprises and to restrict the field of enterprises not co-operative"; if legislation should be passed striking at the income of the railroads and returning any considerable part of it to the farmers in the shape of reduced rates—if any of these projects should become law through the help of Republican votes in Congress, then the conservative element, the business element, "the interests," if you please, would withdraw support of every sort, and their defection would spell the end of the party. Already they are saying to the members of the Administration whom they so confidently placed in power in 1920: "You capitulated to Labor last summer when you failed to take a firm line in the settlement of the railroad dispute. You came within a hair's-breadth of capitulating to the ex-soldiers in the matter of the bonus. You have given these farmers a warehousing act, a grain futures act, a stockyards act, and what not. You have loaned them money unstintedly through the War Finance Corporation, and you spend heaven knows how many millions of dollars each year in providing them with weather reports, crop bulletins and market news. This thing has got to end somewhere, and it might just as well end here and now." At the other horn of an extremely unwelcome dilemma the Administration sees the menace of a "movement," which can be stopped where it stands if concessions are thrown to it, but which threatens a third party victory, perhaps in 1924, perhaps in 1928, unless it is so appeased.

Two courses seem to be open to the Republicans in this

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*impasse*. On the one hand, to refrain from courting trouble until it comes ; but, if and when the attack is launched, to meet it with professions of deepest sympathy and concern, refer it to committee, set up a Special Inquiry to investigate it, give somewhat greater latitude to the War Finance Corporation in the use of its funds, and spar for time in the hope that prosperity will descend upon the farmer through an act of grace. If they follow this line of strategy and the miracle happens, they will be saved. On the other hand, they may face the attack squarely, point to the measures which have already been passed at the instance of the farmers, remind them that these measures were adopted upon representations that they would prevent the very situation which now exists, and refuse to be stampeded into trying still one more panacea. If they should adopt the first alternative, they would be trusting the fate of their party to sheer luck ; if they should pursue the second line, they would make their party the nucleus around which conservatives of every political creed might rally against what would be regarded as a radical menace. Either course is fraught with risks, so it is not surprising that divided counsels reign in Republican circles.

### III

IN discussing the probable attitude of Congress to the demands of the Farm *bloc*, we have been passing out of the economic field into the sphere of party politics. How far does this new movement look to the formation of a third party, and what will be its influence upon the next Presidential election ? At the moment it is as powerful as the Populist wave of 1890-1892, which rose to its height in 1894. It is, perhaps, as firmly grounded as the Progressive movement of 1912, and its strength is increasing rather than diminishing. Within a few days after the Minnesota election, Farmer-Labor organisations sprang



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up in West Virginia and in Pennsylvania, a long distance from their base. But the Populist tide receded when the Democrats precipitated the free-silver issue of 1896, and the Progressives came to an end with Roosevelt's defeat. Will the Farmer-Labor party succeed where they failed? Will the traditional cleavage between the North and the South, based upon forgotten history and mistaken economics, be broken down? Will the line of division between future parties be economic, not geographical, actual, not hereditary?

Senator La Follette, the recognised leader of the movement, gave his opinion in an interview of July 27:—

Just now I do not think anyone can talk intelligently regarding a possible third party in the campaign next year. . . . If the two old parties nominate candidates who are fairly progressive, I doubt if there will be any real third party movement. On the other hand, if reactionary candidates are nominated and reactionary platforms adopted, a third party may follow. . . . What the old parties do will largely govern.

This is a guarded statement, which errs on the side of incompleteness. Senator La Follette naturally neglected to add that if prosperity should descend upon the Middle West the driving force of the new organisation would be dissipated. He overlooked the possibility that the Democratic party alone might put a progressive into the field. If this should happen, a great many of those now affiliated with the Farmer-Labor body would desert it to re-enlist in a veteran unit. Lastly, the Senator had nothing to say about the intrinsic weakness of his group. Except for himself, it has no director. Moreover, aside from their common hatred of the railroads, there is no community of economic interest between the capitalist farmer and Labor. The farmer, being an employer, looks forward to an era of low wages: Labor wants no reduction. Labor wants the rule of the eight hour day made universal in industry: the farmer wonders how that will affect the practice of employing his "hands" twelve hours. Even



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in their agreement against the railroads, they are essentially in conflict; for the farmer wants low rates in order to increase his income, while the laborer knows that a cut in rates will inevitably be followed by a corresponding cut in his own wages. But these qualifications do not affect the substance of Senator La Follette's statement. It is too early to judge whether, twelve months from now, conditions will be favourable for a third party movement. No such organisation would stand a chance of success unless it could draw to itself a large part of that floating mass of voters—seven million of them—who elected Harding in 1920 and withdrew their support of his party in 1922: and this independent army will not have the basis for decision until the old parties have phrased their platforms and named their candidates in the spring of the year.

### IV

UNTIL they have named their candidates! The air is rife with talk, leading nowhere. This much can be said: that if Mr. Harding desires the Republican nomination\* it will be given to him, if for no other reason than because of the widespread belief that refusal to endorse the President for a second term of office is open confession that his first term has been a failure. Mr. Harding's recent trip through the West to Alaska, while not of a political nature, was expected to give the party leaders some indication of his chance of success in 1924; but they learned nothing new from it. The personality of the President made itself felt everywhere: his sincerity, his friendliness, and his eagerness to learn stood him in good stead on tour as they have been his great asset in office. As for his speeches, the people were apathetic toward them. The Democrats, in their turn, are frankly at sea. Their organisation has suffered a decay, they have no leader, they

\* This article was written before President Harding's death.—EDITOR.

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are at loggerheads over the issues of the next campaign. Perhaps such lack of mass is inevitable at this juncture when each faction is fighting for control, and when confusion has been worse confounded by the appearance of Henry Ford on the horizon. It is something of a shock, even to a politician, to learn that in a recent poll taken of two hundred thousand readers of *Collier's Weekly*, Ford led all other Presidential possibilities by a wide margin! But the question of candidates, like the third-party question, lies too far ahead to admit of profitable discussion.

In the meantime, the prospect of the next session of Congress is sufficiently disheartening. The Administration has abdicated whatever leadership it possessed, and Senator Hiram Johnson's speech upon his return from Europe—his attempt to throw seeds of dissension between Harding on the one hand and Hughes and Hoover on the other—indicates that the Cabinet itself is ragged. The Republican party lacks a real majority in both Houses; the Farmers will insist upon aid for agriculture; the ex-soldiers, once denied their bonus, will be back again in strength; and there is a surplus in the Treasury upon which every glittering eye is fixed.

As for foreign affairs: the Department of State still functions. There is hope that a treaty will eventually be signed with Ismet Pasha, that the envoys to Mexico will finally arrive at the basis of recognition, that some diplomatic arrangement will be struck to control liquor shipments to the United States, and other outstanding matters. But the prospect of American membership in the Permanent Court is dead. For some reason, which has been neither fathomed nor vouchsafed, the President, who so vigorously urged the Senate to adhere to the Court, undermined his own recommendation in St. Louis on June 21. He advocated two reservations which stultified everything that he had previously done: the one, to make the Permanent Court a self-perpetuating body, the other, to divorce it in form as well as in substance from the League. Beyond

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the comment that his change of front is perfectly incomprehensible, there is nothing to be said. As he travelled further West he spoke again and again for the Court with almost mystic zeal. He went so far as to plead with people to help him carry his proposal through the Senate. But the effect of the St. Louis speech cannot be undone.

### V

WHAT does it all mean—this story of a revolt in the Middle West; panic among politicians; Henry Ford in the public eye; Congress in a state of chaos? And those other things which have not been mentioned: the stock exchange treading as cautiously as a cat; industry seeing shadows on the wall at every turn; the Protestant churches in a fine fury over the appearance of theological doctrines which are already antiquated abroad; skirmishes off the New Jersey coast with rum-running ships; twenty-five persons killed in motor accidents on a single Sunday; a lynching in Missouri attended by high school girls; the Ku Klux Klan moving unchecked over the face of the country. . . . And, in the State of Minnesota, one lone man saying, "I got a pretty good farm; and I got a good size mortgage on it; and I got a wife and children. . . ." Is it Magnus Johnson's doctrine that sounds so radical, or is it his terrible simplicity?

What does it mean—this business of stepping courageously up to a League of Nations, and then running away from it; embracing an International Court, and then pushing it aside?

It means this: that the labor of consolidating the United States into a nation is far from finished. It was a task severe enough for the best thought and work devoted to it before the war; it has been infinitely complicated by the war itself and by America's part in that war. Never did the problems of the country demand more quick

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obedience to their summons, more sleepless service, more plain, old-fashioned prayer than they demand to-day. Yet never have these springs of national virtue stood at a lower level. In the presence of Germany's dissolution, crises of unemployment and the threat of war, does this seem a trivial affair? Be assured that it is not. Some day the historian may speak of the task of establishing conditions of freedom among men on the American continent as one equal in magnitude to the reconstruction of Europe.

The speech at St. Louis put an end to the prospect of formal co-operation; the last thin bridge was burned by its builder. It is perhaps as well. And if Europe ever finds respite from her own confusion, let her cast a not unfriendly eye toward ours.

United States of America.

July 30, 1923.

## IRELAND—AN AUSTRALIAN IMPRESSION

*The following article is by an Australian contributor who has just returned from a visit to Ireland. It deals more particularly with constitutional questions, on which the writer is an authority.—EDITOR.*

### I. THE FREE STATE CONSTITUTION

ON October 25, 1922, the Constitution of the Irish Free State was passed by Dail Eireann, and on December 5, the Royal Assent was given to an Act of the British Parliament declaring that the Act so passed by the "House of Parliament constituted pursuant to the Irish Free State (Agreement) Act 1922" should be the constitution of the Irish Free State. On the following day, the King's proclamation that the Constitution had been passed and adopted by the Constituent Assembly of the Free State and by the British Parliament, was issued, and thereupon the Constitution came into operation. The need for conforming to the Treaty had led to the submission of the draft of the Provisional Government to the British Government and an agreement had, not without difficulty, been come to on important points of difference; and the political conditions within the Free State itself had led to the publication of the draft before the elections for the Constituent Assembly. In these circumstances, it was natural that the Constitution finally passed should

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correspond closely with the draft. The main heads of the draft were published in *THE ROUND TABLE* for September 1922,\* and it is not necessary here to repeat them.

The Constitution presents features of peculiar interest in respect to both its formal establishment, and the substance of its provisions. The Canadian, the Australian, and the South African Constitutions were prepared in what are called "constitutional conventions," bodies with no formal authority, and their legal authority is derived directly from the Act of the Imperial Parliament which at once established the Dominion and enacted its Constitution. We distinguish in such cases between the "historical" and the "legal" source. In the case of the Irish Free State, the procedure was governed by the fact that there was the prior Treaty, which established the Free State and which came into operation on March 31, 1922. The method of direct enactment by the British Parliament was therefore unnecessary and would in Ireland have discredited the Constitution and the Treaty. The result is that we have a Constitution framed in and passed by "Dail Eireann sitting as a Constituent Assembly" in the Provisional Parliament of the Irish Free State, and deriving its legal authority in the Irish view from its enactment by the Dail—Act No. 1 of 1922 in the statute book of the Free State.

The British Act was, however, necessary to implement the Treaty on the part of Great Britain, and gives to the Constitution the force of law so far as the authority of the British Parliament extends. It is only necessary to add that both the Constitution and the British Act declare the legal paramountcy of the Treaty over the Constitution and over all laws made by the Free State, and the British Act affirms the power of the British Parliament to make laws affecting the Free State in any case where in accordance with constitutional practice Parliament would make laws affecting the self-governing Dominions.

\* *THE ROUND TABLE*, No. 48, p. 793.

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If the formal establishment of the Constitution differs from that of the other Dominion constitutions, so does its substance. As has been said by a member of the constitution committee of the Dail\* :—"To anyone familiar with the constitutions of the nations that now comprise the Commonwealth of Nations the present Constitution will speak in an unaccustomed language. It is unlike any of them." These differences have many causes. One of them is the deep sentiment of Irish nationhood, which seeks to separate itself by outward and visible signs from any "colonial" taint. The other Dominion constitutions have grown out of the colonial status, they are part of a development which was thoroughly British in character and which led naturally to institutions which follow faithfully the political system of Great Britain. The Constitution of the Dominion of Canada explicitly affirms its similarity in principle. In the case of the Free State—herself a "Mother country"—there has been no such growth, and on the part of the framers of the draft there was no disposition to imitate. Moreover, the earlier Dominion constitutions were conceived and framed in conventions based upon ministerial and parliamentary experience, they were examined and debated in Parliaments and by communities to whom government meant the Cabinet and parliamentary system. In the Free State, not one of the Ministers or of the Constituent Assembly had had parliamentary or ministerial experience. The country itself, habitually in revolt in deed or in spirit, against government, was without the tradition of self-government and any bias to a particular system. The results are seen in the draft constitution and in the debates in the Constituent Assembly. Where the older conventions are guided by their common experience in the working of one type of government and members ply their single instances and precedents, the Free State Assembly learns from the text of various constitutions and

\* Mr. Darrell Figgis, *The Irish Constitution*, p. 7.



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their commentators ; its leaders know more of what such constitutions purport to be than they know of what they actually are in practice.

A tendency to stake all on the written word, to rely little on the conventions and understandings which make a living constitution, was partly an expression of the distrust which has characterised British and Irish relations. But such distrust outlasts the particular relations which create it, and expresses itself in an attitude towards all government until the people have thoroughly grasped the fact that the Government is their own, and that the responsibility for its acts is ultimately their own responsibility. It was inevitable in the case of the Free State (as it had been in the United States) that the constitution should express many things that elsewhere are taken for granted, and should set up as legal rights above the legislature those civil and political liberties of the individual which in Dominion constitutions are deemed to be sufficiently protected by the political control exercised by the electorate. The real matter for surprise is that in the end grave matters are left to be worked out by usage and practice.

The older Dominion constitutions accepted the evolution of political institutions from the Crown, and have followed and extended the British example which has made the powers of the Crown the instruments of self-government. The Free State Constitution, like the American, attributes the source of all political authority to the people, and thus furnishes the leading conception of "citizenship" as against the British notion of "subject," and Irish citizenship is defined. From the same principle followed an enumeration of rights which the sovereign people reserve to themselves ; the initiative and referendum by which the people directly resume the power which ordinarily they have delegated to the legislature. The principle of a fundamental law was of course involved in the acceptance of the Treaty. But it is extended in the Constitution ; the Dail is not like the Dominion Parliaments, modelled on

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the Imperial Parliament and its sovereignty ; back of it, the "political sovereignty" of the people is a "legal sovereignty" also.

It was of course for the Free State to determine the principle of its own Constitution. But the adoption of a principle so radically different from that contained in the law of the Dominion constitutions must at some stage raise the question whether the Constitution was in accord with the Dominion status set up by the Treaty. This, in fact, was the matter of difference between the British and Free State Governments when the original draft was presented. The scheme of the Constitution, treating executive and legislative power as something conferred by the people on authorities created by it, eliminated the Crown from both. It was sought to justify it under the terms of the Treaty as part of the "law practice and constitutional usage" by which the Treaty defines the Dominion status. According to practice and usage, the powers which are in law vested in the Crown, are effectively exercised by Ministers and the legislative chambers ; and it could not be outside the Treaty to ascertain the resultant of these and express it in the law of the new constitution. The British view was that it was of the essence of the Treaty that law practice and usage were invoked as such and not as interpreted or transmuted into a rule of law. The distinction is not technical merely, it is one which every one experienced in the Cabinet and parliamentary system, or in the constitutional relations of the Dominions, recognises as fundamental, and in the Free State position something may be ascribed to lack of experience. But there was involved more than "juridical niceties" or practical convenience. With every retirement of Parliament and Cabinet from "Imperial" functions to the position of a British legislature and Ministry, the Crown became the more the symbol of the union of the British Commonwealth. The abandonment of the ordinary constitutional forms would no doubt have won over to the

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Free State some dissidents, but the measure of its success would have been the measure of repudiation of the spirit of the Treaty, and it is the spirit which gives life to the British Commonwealth. To the British as well as to the Irish people the omission of the Crown would have been significant of the status, not of a Dominion, but of a separate republic.

The result of the conference with the British Government was the adoption of the Dominion model in the formal expression of the executive and legislative powers. In the subsequent discussion in the Constituent Assembly the Free State Government loyally supported this agreement, and resisted all attempts to get back to the original draft as impossible under the terms of the Treaty.

In one other respect the Constitution is the execution of an agreement. There was an arrangement between the Provisional Government and the Southern Unionists whereby certain provisions were to be included for the protection or the assurance of the minority. These affected the constitution and powers of the Senate, in particular the provision for proportional representation, for joint deliberation between the Houses in case of disagreement, and the appeal of the Senate by way of referendum from the Chamber of Deputies, with whom, as between the two Houses, in matters of legislation as well as finance, the final decision lay.

For the rest, the Constituent Assembly had a free hand in devising the machinery of government. The disposition to make experiments in government was encouraged by freedom from the parliamentary tradition and by fear of the disruptive effects of party government in the unstable condition of the country. The tendency, natural in a body which was the successor of the revolutionary Dail, to elect each Minister, to assign him his department, to instruct him in the exercise of his functions, and to hold him individually responsible, was checked by the obvious need for a Council of Government, capable of acting promptly

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and effectively in matters which were not departmental but national, a Council, therefore, which was responsible collectively. The very importance of stable government, however, suggested limitations to collective responsibility, the more because the conditions of the country made provision for the representation of minorities a matter of peculiar political expediency if not of justice. Proportional representation favours group government; and if every department of administration carries the life of the Ministry, the number of vulnerable points invites attack and threatens stability. The task of government in the Free State in maintaining the Treaty settlement and in restoring an ordered society was too grave to be involved with those functions which, important as they are, rest upon the attainment and the promise of permanence in fundamental social conditions. To extend the scope of collective responsibility to all ministerial offices was at once to threaten government itself and to impair the control of the Legislature over the administration of what may be called, in the present condition of Ireland, secondary services. These were the main factors in the settlement of the Free State Executive. This consists, first, of a President appointed on the nomination of the Dail, and an Executive Council of members of the Dail administering the most important departments of government, elected by the Dail on the recommendation of the President, the President and Council holding office so long as they retain the confidence of the Dail. Secondly, there are the Ministers who are not members of the Executive and not necessarily members of the Dail, who are nominated by the Dail on the recommendation of a committee, and hold office during the term of the Dail unless they are removed by the Dail for stated reasons after inquiry.

The original plan of a small political Cabinet on the one hand and a larger number of Minister-experts excluded from membership of the Dail on the other, was narrowed down to a scheme in which the essential difference between

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the two groups is the difference between collective and individual responsibility. The Constitution, however, leaves open the way to the Minister-expert through the optional resort to nominations by Vocational Councils, should these be established. The Ministry actually formed consists of an Executive Council of seven, and three "External Ministers" (Agriculture, Fisheries, Education), with two assistant Ministers; and in the brief history of the Free State Government there is nothing on the surface to suggest different conditions from those which prevail in the Cabinet system elsewhere. But the discussions on the executive are for the student of constitutions the most important part of the debates in the Constituent Assembly. The attempt to combine the British and the Swiss systems in the same constitution is an experiment in dyarchy which will be followed with interest.

It is provided that the judicial power of the High Court shall extend to the question of the validity of any law having regard to the provisions of the Constitution. The radical departures of the Free State Constitution from the British system render this task a highly responsible one, since it must be performed without the certain guidance which the principle of parliamentary sovereignty has given to constitutional interpretation throughout the British Commonwealth; the sign posts rather point the way to American decisions as exponents of "people's sovereignty" and "fundamental rights" legally expressed in political institutions. The judicial review of legislation is a delicate matter which brings the courts very near to those contests and passions which belong to the political arena. In constitutional questions resort to the Privy Council, such as is provided for in the Constitution of the Free State, has been of great value to the Dominions, as an appeal to a tribunal outside local interests or feelings. The few hours which separate London from Dublin eliminate the practical difficulties or even hardships involved in appeals from Australia or South Africa. There is, however, one new

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feature of importance : the fact that the relations between Great Britain and Ireland are based upon a treaty which has the force of law. The interpretation of the Treaty may bring the Privy Council to tasks nearer to those of a Court of International Justice than any that have yet devolved upon it, and in such tribunals the matter of confidence enters more largely than elsewhere into the question of judicial competence. This will give to the matter of the constitution of the Judicial Committee, already discussed in a rather desultory way at several Imperial Conferences, a new and serious importance.

The most important part of any constitution, it has been said, is the provision that it makes for its amendment. The novel character of much that is in the Constitution, combined with the inexperience in government so candidly and frequently avowed in the Constituent Assembly, led to the suspension of the special machinery provided for the amendment of the Constitution. During the first eight years of its operation the Constitution may be amended by an act of ordinary legislation. Did we consider merely the machinery of government, such a provision would be prudent in the case of so experimental a piece of work. But it gives to the whole a provisional character, and this, in the case of the Free State, has obvious dangers.

### II. THE WORKING OF THE CONSTITUTION

A STUDY of the social and political conditions of Ireland is beyond the scope of this article. But even the limitations of a constitutional survey demand some consideration of the way in which things are working out. A written constitution is one thing, actual government may be another. The written word, whatever its forms and solemnities, may be no more than a project of government. In the case of Southern Ireland, emerging from civil wars and from the breakdown of social order, there are the



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fundamental questions whether the Free State is becoming an ordered community, whether it gives security and justice to its members irrespective of national, political or religious attachments, and whether it gives a promise of permanence. On such matters there is the widest divergence in the views expressed in London journals. The Free State is still in a condition in which one finds facts to lend colour to whatever sympathies or temperament may suggest; a country which has had the experience of Ireland since 1918 does not all at once return to normal conditions. A passing traveller can make no claim to a considered judgment on the state of the country. He meets, however, colonial visitors returning unharmed from a pilgrimage to the Blarney stone, and Irish painters proceeding to pursue their art in Connemara, and he reads that Mr. Bernard Shaw feels more secure in Ireland than in London or Paris. The writer's own impressions of the new *régime* are favourable. The Government had to create an army for the suppression of a formidable rebellion, to establish police and justice, and to set up the machinery of a new political organisation. All this has been undertaken by men without experience in constitutional government, in daily peril of their lives from the assassin. There are the external appearances of a civil government at work, but the armed guards within and without the public offices, the squad of soldiers drilling before the steps of the Dail Chamber, and the uniforms of the soldier members of the Dail within the Chamber itself appear to typify just that middle state which is neither peace nor war. Watching the proceedings of the Dail, the visitor from a Dominion misses the *insignia*—mace, robes and other ritual—familiar in the Dominion legislatures as in the Mother of Parliaments itself; there is a simplicity almost ascetic, due partly no doubt to the fact that the Dail, without a home of its own, finds a *pied à terre* in a lecture-theatre of the College of Science. The use of Irish in the designation of the officers and for some of the formal proceedings, the



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occasional delivery of a speech in Irish, give a foreign touch to a visitor from a Dominion where there is no dual language question. In the tone of the speakers and the general calm which pervades the Chamber, one misses a certain snap which belongs at any rate to Australian Parliaments. It is, of course, due in part to the fact that in this Dail there is no alternative government. But it gives an impression that the political struggle has not yet wholly transferred itself to the parliamentary arena: the Government and the Dail itself are still a sort of Committee of Public Safety.

The Dail has passed three highly important measures—the Public Safety (Emergency Powers) Act, the Damage to Property (Compensation) Act, and the Land Act. The first of these is a drastic “Coercion Act”; that it should be passed at all by an Irish Parliament would be strong evidence of a disordered state of the country. But it is an earnest of that moral courage to face the facts of the situation which all government demands. Moreover, it must be remembered that powers given by the Act have been exercised in fact as matters of “military necessity”; that they are now formally conferred on the civil authority may be regarded as significant of the passing of a state of war with its extra-legal powers, and the advent of a time of civil government when the exercise of power must find its justification in law.

The establishment of 530 stations of the civic guard of an intended total of 807, their distribution through all parts of the country, is claimed as further evidence of success not merely in repressing rebellion, but towards restoring a normal social life. For the guard is unarmed; it rests not on its own superior force, but on the moral support it can evoke; it can operate successfully only where the disposition to co-operate in maintaining order and in vindicating legal rights has re-asserted itself.

Whether the powers of government can be and are effectively exercised through the country, and that without respect of persons, is a matter on which the writer cannot

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pretend to speak from personal knowledge. But the co-operation the Government is obtaining from many former political opponents and from important business interests is evidence in its favour.

The Damage to Property (Compensation) Act and the Land Act are two measures looked to with interest to test the disposition of the Government and the Dail to political opponents. There is no doubt disappointment amongst many of those affected, and some allegations of promises broken. But there is also no small allaying of fears. The Government has shown no sympathy with ideas subversive of property. To the conservative elements in society the Government has already come to stand for law and order, and for experience in affairs, a striking fact when one remembers that it is only a couple of years ago that its members were in arms against authority. The Left has become the Right.

The difficulties and dangers which lie before the Free State are more clearly discernible than the facts of present administration or the state of the country. The disbandment of an army of 50,000 men and the release of 11,000 internees, and the absorption of these people in the economic activities of the country, still nervously agitated and full of arms, is perhaps the gravest undertaking before the Government. The situation is intensified by the limitation of emigration, and the sentiment which has grown up against it, as well as by the small relief that England can now give to any unemployed labour. Closely connected with this is the perennial land problem. The recent Act provides for the completion of the process of turning tenant farmers into occupying owners and the conversion of "uneconomic" into "economic" holdings. But it also applies compulsory purchase to the settlement of landless men. The "conviction of the Irish countryman that nature intended him to be a farmer" is already expressing itself in discontent among labourers and in jealousy even of the new peasant land owners. This will be augmented by the farmers'

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sons and other landless men released from army service and internment; the demand for land promises to be greater than the supply.

A third problem of the Government, and that an immediate one, is finance. A charge of  $21\frac{1}{2}$  millions for the army and for compensation leaves the Government with a deficit of 20 millions for the year 1923-24, and a loan for 20 millions at least is imminent. That, of course, is primarily a call to the people of the Free State, and a response out of the very considerable resources accumulated during the years of war prices would be an indication of their real acceptance of the responsibility of government. Nothing would give greater security to the Free State than a widespread investment by its citizens in the loan, and nothing would, through the confidence it would inspire, more ease the financial path of the Government with British and American investors when it comes into the market for money for development purposes. Two things stand in the way. The first of these is that the Irish peasant farmer has the habit of placing his money on deposit in a bank rather than investing it in securities, and may not readily be tempted by a Government loan even though it appeals to his patriotism and his pocket.

The other factor in the situation is the uncertainty as to the stability and permanence of the present *régime*. This will be generally affected, one way or the other, by the result of the pending elections. Everyone appears to feel that, till the elections, the present administration is still a provisional Government in fact though no longer in name. While the idea of a Republican majority vote is not entertained in Dublin, it is considered not improbable that there will be in the new Dail as in the present a number of members who will not take the oath and whose extra-constitutional political activities may be mischievous. Another risk is the existence of a number of groups—farmer, labour, and independent—making firm government difficult, and possibly transferring the reins of government

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to people less experienced and less closely associated with the Treaty settlement than the present Ministers. No Government could have done what President Cosgrave and his Ministers have done without incurring many enmities. Their internments and the reprisal executions have stirred strong feelings. Their legislation and their executive acts, their denunciations of violence and disorder, especially their amicable relations with the British Government, have been a puzzle to people who have not yet learnt what self-government means, and who contrast the deeds and words of the same men two years ago and to-day. "Wait till after the election" is the one political verdict upon which all sections of opinion are agreed.

### III. NORTHERN IRELAND

BY the Government of Ireland Act 1920, Northern Ireland and Southern Ireland were established as political units with their several legislative and executive organs, linked by a Council of Ireland and by various provisions for joint action, the chief of which was a power to establish a Parliament for the whole of Ireland. The important matters "reserved" from the Northern and Southern Parliaments and the retention of Irish representation in the Imperial Parliament gave to the new units a status to which the closest analogy in existing constitutional arrangements was that of a province within a Dominion; they fell short of being "self-governing colonies," still further of being distinct "Dominions."

The rejection of the Act by Southern Ireland left the scheme incomplete. But Northern Ireland was set up, its government was constituted upon strictly British lines. Internal order has been re-established, and the governmental machine, legislative and administrative, is kept working with vigour. Belfast, at any rate, appreciates an administration which no longer sees the North through

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Dublin spectacles.\* A new consciousness of self-government is being awakened, and the distribution of political interest over a number of home affairs may temper the emotions aroused by constant concentration upon a single matter. It is interesting to see the growth of the familiar colonial spirit with its sensitiveness towards the British Government; the Act of 1920 is already becoming a charter of constitutional right. Unionists would seem hardly to care to revert completely to the system in force before 1920.

Parliament, however, is in need of the tonic of a real Opposition. The abstention of the Catholic Nationalists is serious, the threat of an electoral system which would diminish the representation of the Catholic minority is a misfortune and if carried out will dangerously augment the sense of political isolation amongst them. The co-operation of this section in the Northern Government is of the greatest importance. It would increase the internal strength of the North, it would mitigate the asperity of its relations with the Free State, and would diminish the force of Irredendist agitation in both North and South.

The North gives no sign of any departure from the spirit which led it to refuse to come into the Irish Free State. The inconveniences of separation have as yet hardly become serious. A customs frontier of 225 miles is a nuisance. But as yet the Free State is working under the British tariff, and though absolute free trade is gone, Northern Ireland enjoys a preference in the difference between the British Dominions' tariff of  $22\frac{1}{4}$  per cent. and the general tariff of  $33\frac{1}{3}$  per cent. in the case of the relatively few dutiable articles. The adoption of a protective tariff by the Free State would of course alter matters, though even so it must be remembered that Belfast imports most of its raw material from abroad and finds its principal

\* The complete want of touch between Belfast and Dublin, which are only  $2\frac{1}{2}$  hours apart, comes as a surprise even to an Australian with his recollections of the relations between Melbourne and Sydney.

## The Boundary Question

market across the water. Shipbuilding and linen are, indeed, passing through critical times, and an expenditure of  $7\frac{1}{4}$  millions, *plus* the contribution of nearly 6 millions to Imperial services, appears a burden for  $1\frac{1}{4}$  million people undisciplined by the spacious figures of an Australian State. But there are mitigations. The national accounts for 1922-23 showed a small surplus (£32,000); the estimates for 1923-24 promise a lower total expenditure, and the British income tax is lower than the Free State tax. At present the North feels that it has made good, and it is frankly sceptical of the Free State's prospects, politically or financially.

### IV. THE BOUNDARY QUESTION

NORTHERN IRELAND dates its birth as a political entity from the Act of 1920, but the Treaty attached revision of the boundary to the provision under which the North stands out from the Free State. The question of the boundary, therefore, associates itself with the existence of the North as a separate entity, with the matter of union, and with the execution of the Treaty between the Free State and Great Britain. The claim of the Free State, if established in full, would reduce the North by one-third of its population, and deprive it of territory which includes the ports of Derry and Newry, a loss which many believe would force the North to come into the Free State. It is highly improbable that so extensive a claim could be sustained in law, but even if it were successful it is not at all clear that the North, with a population still greater than that of any Australian State except New South Wales and Victoria, could not make good as a provincial government outside the Free State. It would at any rate make the North more homogeneous, and the probability that it would fail as a means of forcing union must leave the 173,000 Catholics who would still be left in Northern Ireland lukewarm as to

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a claim which would reduce the Catholics from over a third to less than a fourth of the population of the North. So far as a stranger may judge, the territorial claim is hardly the true approach to union ; it would seem a sure way of estranging those in the North who believe in a united Ireland. The Government of the Free State can hardly fail to appreciate the temper of their neighbours, and must well have considered whether for the present it would not be good policy to withhold pressure for the appointment of the Boundary Commission. But the *amour propre* of the supporters of the Government is concerned. They believe that forbearance on their part would be attributed to weakness. Then, revision of the boundary is a Treaty right, and the Free State Ministers have, in the face of difficulties and dangers, justified many unpopular things before their people on the sole ground that they were bound loyally to stand by the Treaty. Insistence on the appointment of a commission thus becomes in a sense a test of good faith in their relations with those of their people who, having accepted many distasteful things under the Treaty, will attach an especial importance to those parts of it which impose difficult and delicate obligations upon Great Britain. It was significant that the appointment of the Free State representative on the Commission was announced simultaneously with the approximate date of the elections. But it is entirely to under-rate the gravity of the matter to describe it as an "election stunt." The Government is well aware that, apart altogether from militant Republicans, the Treaty has still to reckon with opponents who have not accepted the spirit of the settlement and would welcome any opportunity for impugning British faith as an excuse for re-opening delicate and dangerous questions. Presented with a plausible case, the influence of such opponents on an untried electorate, which includes every young man and young woman over 21, would have been grave. In this, as in other matters, one feels how much turns on the elections.



## Free State, the Commonwealth, & the League

The British Government has announced that so soon as the elections are concluded it intends to communicate on the subject with the two Governments concerned.

The case for the North is that it accepted the Act of 1920, with its rights as well as its obligations; the attack upon its territory menaces its very existence as a distinct political community. It cannot impute to the British Government an intent to impair this position without its consent, especially in the face of what are claimed as positive assurances given by the British Prime Minister as to territorial integrity. Northern Ireland was, it is claimed, no party to the Treaty; her Government is responsible to its electors, it is not the instrument of the British Government for the fulfilment of obligations it has never undertaken. The Northern Government stands upon its constitutional right, and in this view the provision in the Treaty that one member of the Boundary Commission shall be appointed by that Government is a provision whereby the North may give or withhold its consent to the consideration of the Boundary at all. The answer of the Free State is that the North has chosen to remain an integral part of the United Kingdom, and Great Britain is responsible to the Free State for Northern Ireland and her fulfilment of the Treaty. Both sides, therefore, appeal to constitutional right.

### V. THE FREE STATE, THE COMMONWEALTH, AND THE LEAGUE

THE entry of the Irish Free State as a distinct member of the "Community of Nations known as the British Empire" obviously concerns all the partner states, and it has features which give it a special character. The Free State is the only member of the Commonwealth which has come into being through disintegration of another unit, though it is interesting to recall that the first of the Dominions was based on the severance of the incorporate

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union of Upper and Lower Canada. In the second place, it diminishes the numerical preponderance of the senior partner in the Commonwealth by twice the  $3\frac{1}{4}$  millions of people of whom the Free State consists.

The geographical situation of Great Britain and the Free State is a feature which may be as important in the relations of the British Commonwealth as it has been in the relations of Great Britain and Ireland. Apart from the special interests and therefore the special relations that belong to neighbourhood, the distances which separate each of the Dominions from Great Britain and from each other have been and are a factor which enters into every scheme for co-operation amongst them. The personal knowledge and consultation of Ministers, even by such imperfect means as conferences at long intervals and after long notice, may be frustrated by the long absences they entail from the Dominions. Continuous consultation of Dominion representatives is called for in London; but continuous residence in Great Britain would generally weaken touch with the Dominions so that the usefulness of the individual, instead of increasing as time ripened his experience, would tend to diminish both in London and at the seat of his Dominion Government. It is these considerations which give to the subject of communications its foremost place in the conduct of Commonwealth affairs. But all these difficulties are already overcome in the case of the Free State with her capital situated within ten hours' travel of London. It is evidently open to her to participate more fully in the conduct of the affairs of the Commonwealth than has yet been possible to any of the Dominions. There are, of course, in the Free State, reasons for this, since she, like Great Britain, belongs to the European region of politics as no one of the Dominions does. But if the Free State does avail herself of the opportunity, this might very well stimulate the Dominions to greater efforts to overcome the disabilities which at present distance imposes upon them.

## Free State, the Commonwealth, & the League

In a country emerging immediately from acute strife, the first impulse might well be to regard the new status primarily as a means of continuing a constitutional struggle in the arena of the Imperial Conference, in the belief that there the Irish Free State would find herself in the sympathetic company of other nations "rightly struggling to be free." In the Dail debates on the Constitution, there were advocates of this course. But in truth the time, if it ever existed, when the Conference was a tug-of-war between Great Britain and the Dominions, has passed away. The notion of a co-operative commonwealth of nations is held as strongly in Great Britain as in the Dominions ; the differences of emphasis in the implications of the Commonwealth are far more marked in the divergent opinions which have become characteristic of the several Dominions than in anything that can be attributed to Great Britain. In world politics, students contrast the perils of the "dual" balance of power with the beneficent "multiple" balance. The Commonwealth has passed from the dual to the multiple state, and it is the greater experience and more intimate mutual knowledge coming from co-operation, rather than actual transfer of power, which will make this state more vitally realised. This is in no way altered by the Treaty, which avoided the dangers besetting any plan of dual-monarchy such as existed in Sweden and Norway or in Austria-Hungary.

When the Free State representatives enter into conference with the Ministers from the sister nations of the Commonwealth they will find a totally different atmosphere from that which pervaded their pre-constitution conferences with Great Britain. Great constitutional issues may arise, but they are involved in the search for means to make co-operation more effective rather than in the pursuit of mere ambition for separate powers ; on this South Africa will be as emphatic as Australia or New Zealand. It is perhaps unfortunate that such issues should be pending at the first meeting of the Conference which the Free State

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will have the right to attend. Actual experience in the working of Commonwealth relations heavily discounts the theoretical values, whether from one side or the other. Mr. Cosgrave, however, showed a shrewd political instinct when in the Constitution debates in the Dail he deprecated the habit of looking to the Dominions as a means of getting something from Great Britain. This may be said without losing sight of the very important security which the support of the Dominions would give to the Free State in matters which all of them recognise to belong to their constitutional right. It will be a peculiar responsibility of British statesmanship for some time to see that no excuse is given in the case of Ireland for even the suspicion of neglect of the rights of a Dominion. Few things would tend so much to reproduce an alignment of Great Britain *versus* the Dominions, and nothing would be a greater catastrophe for the Commonwealth.

In the course of the Dail debates on the Imperial Conference, Mr. O'Higgins protested against the view which saw for the Free State no more dignified *rôle* than that of a stalking horse for the left wing of Dominion thought. In this utterance he expressed something deeper than the words suggest. For Ireland, as her children proclaim, is a "mother country" in a very real sense. The "Irish question" has entered deeply into Dominion and American politics, not merely as a problem of Irish government which, unsettled, disturbs the relations of all with Great Britain, but as something which has affected the whole attitude of Irishmen towards government in general, and has therefore coloured the citizenship of the Dominions and the United States. The Irish question, indeed, has cast its shadow over many phases of life in many lands. Nor must it be forgotten that among the memories cherished by Irishmen are stories of the missions which carried Christianity abroad and of a culture which sowed seeds of civilisation in a barbarous Europe. Irish idealism holds with conviction belief in the destiny of Ireland as a

## Free State, the Commonwealth, & the League

civilising influence upon mankind ; the missionary spirit is again alive. Out of the intensity of a national life, of which forms of government are merely one manifestation, so different from the life of every part of the British Commonwealth and yet so intimately linked with every part of it, there may flow a fertilising stream. The entry of the Irish Free State as a co-equal member of the Commonwealth has a unique character which distinguishes it from the case of Dominions which have developed out of a colonial origin, and may well furnish the opportunity for a new rôle.

If Ireland has much to impart, she has also much to learn. One of her most real grievances has been overmuch introspection and too little contact with other nations. To look out upon the world, to mingle in its affairs, to see in it more than herself, an oppressed nation, and one other, the oppressor, will be for the nation and her rulers an experience and a discipline. She will find in the *agenda* of the Conference many matters which closely concern her. At the forthcoming Conference in particular economic co-operation will take a foremost place in the deliberations, and the Free State cannot afford to neglect any opportunity the Conference may afford of fostering her important external trade.

Similar considerations apply to Ireland and her relations with countries outside the Commonwealth. She has, like the Dominions, set up her Department of External Affairs ; she has trade representatives in several countries, and has, or had, "diplomatic representatives" at Washington, Paris, and the Vatican. But after a hesitating half-glance at "our friends in America" she has decided to use her status in the British Commonwealth to seek admission to the League of Nations. How far the rights and obligations of membership of the Commonwealth qualify or are qualified by membership of the League, and whether it is necessary to qualify either, has not yet been raised in fact and has not engaged juridical thought, which with us rarely

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runs in advance of the concrete instance. The League itself is still a great experiment. But this may be said with confidence, that all the Dominions have already learnt how much they must owe to the knowledge, the experience, and the machinery of Great Britain if they are to have the means of playing an effective part there, and how much of the weight they have, even when they differ from each other, belongs to the fact that they are members of one Commonwealth.

## UNITED KINGDOM

### I. CURRENT POLITICS

#### *The Choice of Prime Minister*

MR. BONAR LAW'S resignation took place just before the appearance of our June number. The political world, like the public generally, was taken unawares by the event. A question that had been left to random speculation became with unexpected suddenness one for practical decision. In that light it was clear at an early stage that the King's selection of a successor would rest between the Chancellor of the Exchequer, Mr. Stanley Baldwin, and the Foreign Secretary, Lord Curzon. Both had the necessary standing in politics. Mr. Baldwin, however, had only recently stepped into the front rank. His career in Parliament dated only from 1908. Nine of those years he had passed as a private member, four of them as a subordinate minister. Lord Curzon's tale of public service need not be recounted. It is equalled by very few at the present time and surpassed by none. Though the weight of prestige seemed to favour the choice of Lord Curzon, there were other factors in the reckoning. Rightly or wrongly, a popular impression of aloofness from democratic thought and process has been formed about Lord Curzon. The "die-hard" element, influentially placed in the Conservative councils, regarded him with some suspicion as a leading member of the late Coalition and in part responsible for what they regarded as the "surrender" in Ireland.



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Finally, he is a member of the House of Lords. It was urged by Conservatives as well as non-Conservatives that the centre of constitutional gravity rests nowadays in the House of Commons, the more so as the official Opposition, Labour, has no representation in the second chamber. It was represented as impracticable for a Prime Minister to sit in the House of Lords, leaving it to his colleagues to conduct the real battle with the real Opposition in the Commons.

It was probably the hereditary disability that was fatal to Lord Curzon's otherwise weighty claim to leadership. So far has the pendulum swung since Lord Salisbury's day, with whom as private secretary Lord Curzon began his political life. It would be too much to lay down that a constitutional precedent has been established which rules out a peer from the office of Prime Minister. The evolution of British constitutional practice is too gradual to permit a judgment so categorical. But a new criterion of eligibility has been employed in public discussion and it is the way of arguments of this kind to gather weight in repetition.

### *The New Cabinet*

When the King, after the minimum of delay necessary for consultation, invited Mr. Baldwin to form the new administration, there was no doubt of the wisdom of his choice nor of Mr. Baldwin's ability to carry out his task. Lord Curzon at once announced his readiness, if invited, to serve under Mr. Baldwin. He and the other principal members of the Bonar Law Cabinet retained their offices. Indications of a new attitude in the all-dominating question of European policy were given by the entry of Lord Robert Cecil into the new Cabinet as Lord Privy Seal and by the announcement that Mr. Reginald McKenna, chairman of the London Joint City and Midland Bank, successively First Lord of the Admiralty and Chancellor of the Exchequer in Mr. Asquith's Cabinet, would later join the

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Cabinet, when his health permitted, as Chancellor of the Exchequer. Till then, Mr. Baldwin was to combine that office with the duties of Prime Minister.

The inclusion of a prominent Liberal, or ex-Liberal, in Mr. Baldwin's list was its most intriguing feature. The "die-hards," jealous defenders of the pure Conservative faith, have still to overcome their doubts about him. Coalitionists—for lack of a better word to describe those who resisted the break-up of the Coalition—seize upon the contrast implied by the reception of an ex-Radical chief into the Conservative fold where there is no place for a former leader of the party, Mr. Austen Chamberlain, himself twice Chancellor of the Exchequer. Independent Liberals are already preparing a vengeful quest into the past doings and sayings of Mr. McKenna against the day when Mr. McKenna takes his seat among Conservative colleagues on the Treasury Bench. Mr. Baldwin's choice was no doubt determined by the high reputation which Mr. McKenna has earned as a financier since he left Parliament for his present work in the City and by the desire to strengthen his own hands in dealing with the eternal problem of reparations. At the moment of writing, however, Mr. McKenna's return to Parliament appears to be doubtful. The City of London is the constituency for which he could best sit, as a financier rather than as a party man, and where he would be least likely to meet serious opposition. But the sitting members for the City do not seem anxious to make way for Mr. McKenna and elsewhere he might be called upon to support a more vigorous contest than his health will allow.

Another addition to the Government was Sir L. Worthington-Evans, one of the Coalition Unionist ministers who stood aside when the Unionist (or, as it is now almost exclusively known, Conservative) party seceded from the Coalition and Mr. Bonar Law formed his administration. He has become Postmaster-General. Conservative reunion has not, however, gone further. Sir Robert Horne

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would not return without Mr. Austen Chamberlain, and the feeling of the "die-hards" was still too strong to permit of an invitation to the latter, much though Mr. Baldwin personally may have wished to close the ranks. Mr. Chamberlain himself has not bettered the outlook by taking a part against the Government in debate upon a question, that of abolishing the last vestiges of Mr. Lloyd George's famous 1910 Budget, on which the Conservative rank-and-file felt strongly. For the present, reunion is a closed issue. Politically, Mr. Austen Chamberlain and Lord Birkenhead remain disendowed in an uncertain border-land between some of their former colleagues, like Mr. Lloyd George and Mr. Churchill, and the bulk of their own party.

### *The New Prime Minister*

At the age of 56 Mr. Baldwin finds himself Prime Minister after a political career, relatively brief and not unusually distinguished. Eighteen months ago he was not a politician who could have been marked down in advance for the highest office, though credited with a full share of ability and character. He first impressed himself on the public mind when, as a member of the last Coalition Cabinet, he led the resistance to Mr. Lloyd George and insisted that Conservatives should regain their freedom rather than founder at the polls under the presumed weight of the Coalition's unpopularity, leaving Labour opposed only by the wreckage of the older parties. Under Mr. Bonar Law it fell to him, as Chancellor of the Exchequer, to negotiate at Washington the funding of the American debt. The success with which he carried his draft settlement through a divided and hesitating Cabinet established him, in circumstances which deprived his party of the services of Mr. Bonar Law and Mr. Austen Chamberlain, as the unquestioned leader of Conservatism in the Commons and therefore, as it proved, the reversionary of Mr. Bonar Law.

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As Prime Minister Mr. Baldwin carries a responsibility possibly heavier than has sat on the shoulders of any British Prime Minister in time of peace. His Government has to alleviate, if it can, a condition of Europe which is sapping the vitality of trading Britain. This is not the place to enumerate the formidable obstacles to British policy in that respect. Mr. Baldwin's Government will be judged by the success with which it overcomes them. While the economic pressure upon the country has slackened little, if at all, the gleam of better trade which appeared last autumn has been effectively extinguished. The European question has indeed become the overshadowing issue of domestic politics as never since August, 1914.

Apart from the extreme pro-French press, opinion is very ready to make the Government under its new leader an advance of confidence. Mr. Baldwin has the practical industrial experience which enables him to see in concrete form the problems of European recovery. He has goodwill from all parties unless we must except those Liberals and Unionists who were displaced by the fall of the Coalition. As an enlightened and successful employer, he understands and is not distrusted by Labour. The intellectual interests which are naturally suggested by his family connection with Burne-Jones and Kipling are an assurance against the limitations of the pure "business view." He had shown proof of determination before coming to his present office. His speeches as Prime Minister have not underrated the task in front of him, and their modesty and sincerity have won him increased respect. The most noteworthy change that came in with him was a change of purpose in the Administration generally. Mr. Bonar Law attempted to make a virtue of negation for a time, but, in the plight of the country, time was bound to find him out. The greater emphasis on positive measures and the exchange of inaction for a British initiative in the matters of the Ruhr and reparations are not entirely to the liking of the reactionary element which occupies a place of dis-

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proportionate influence in the Conservative organisation. But they are credited to Mr. Baldwin and they have given the Conservative Government a firmer standing than it has had yet in its ten months of existence. The country is judging by its hopes at present, as later it will judge by their satisfaction or disappointment.

### *Features of Parliament*

Parliament adjourned on August 2 until November 13. If the state of foreign affairs requires, it will be summoned to meet at an earlier date. The bulk of Parliamentary time has been devoted to the Finance Bill and other legislation reviewed in our last number. Some other questions that have come into the foreground recently may be touched on later. The Government Front Bench, even after the serious loss of Mr. Bonar Law, has held its own in debate. It has fallen to Mr. Neville Chamberlain to conduct a large share in the business of the House. His smooth handling of the vexed questions of rent and housing has been an unquestioned Parliamentary success, and he is coming to be looked upon as the Prime Minister's right-hand man in the Commons. Owing to Mr. Baldwin's retention of the Chancellorship of the Exchequer, additional responsibility has fallen to Sir William Joynson-Hicks, the Financial Secretary to the Treasury, who has also risen to his opportunity.

On the Opposition benches the noisy intransigence of the Clyde section has been a continued menace to the discipline of the Labour party and the authority of its leader. Mr. Ramsay MacDonald, who as leader of the Opposition has won the respect of all parties, has shown signs of feeling the strain upon his patience. Four Scottish Labour members were suspended for a breach of order which their party did not defend. They refused apology but were re-admitted to the House after a month's suspension.

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Mr. Lloyd George has not increased his hold upon the present House. To say even so much is, perhaps, to understate the fact. The eclipse, temporary though it be, of his Parliamentary influence is almost the most remarkable phenomenon in current politics. What is true of him in Parliament is also true of him, to a less degree, in the constituencies. More than anything it is his failure to regain the confidence of the Independent Liberals that has shorn his political locks. Without reunion the National Liberals have little hope of a flourishing posterity. The Independent Liberals, in their determination to avoid the "Coalition taint," keep their faith pure but nearly powerless. Just before Parliament rose, one National Liberal crossed the floor and joined the Conservatives. It may be that others will follow and that by an automatic purge the party and its leader will be rendered clean again in the sight of the rigorous Asquithians. The contingency is still distant.

On two days, separated by a long interval, Parliament, on a Labour resolution, discussed the question of Socialism. There is no more to be said of the discussion than that it provided a pleasantly academic retreat from the earthy details of rent, housing and taxes. Parliament, for this purpose, became the Grand Debating Society of the nation. Some of the speeches would have done great credit to any debating society. The motion was in due course heavily defeated, but it attained what may have been one of its objects in classifying the whole Labour party, willy-nilly, under the head of Socialist. In another discussion of general principle the House came nearer contact with reality. On July 23 Mr. Ramsay MacDonald moved a resolution urging the Government to summon at once an international conference on disarmament. The Government carried an amendment pledging itself to take all steps possible towards disarmament. The debate was interesting for the unanimity and sincerity with which members of every party, the Prime Minister included, supported

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the principle, even while they differed on the method proposed.

### *Problems of Defence*

Labour initiated the disarmament debate on a day which they had originally secured for the discussion of the Capital Levy. There was point in the change of plan. The leading topic of domestic interest for two years has been economy. In the past few months the problems of defence have taken its place. It is an inevitable, if unwelcome, reaction from the disturbed and disturbing condition of the European continent.

The Air Estimates led the way by providing for an immediate and considerable increase in the Air Force. It will not give us equality of air strength with the strongest Power on the Continent. The Government's aim is limited to a reduction of the existing disparity. An agreed international limitation would be unanimously preferred. Failing agreement, the case for increase is irresistible.

The Navy Estimates provided for the enlargement and re-equipment of the naval base at Singapore at a cost of £10,000,000, spread over several years. This is open to dispute on several grounds and a sharp controversy has followed. If there is an additional £10,000,000 to spend on defence, some would prefer it should be spent upon the better protection by air of the strategic heart of the Commonwealth. The submarine enthusiasts, led by Sir Percy Scott, ask why costly dock improvements should be undertaken for the accommodation of battleships unable in time of war to keep the seas. Others, a more numerous body, demand to know what change or what Power in the East has required the strengthening of our defences, what will be the effect of the gesture in Japan, and whether it does not indicate a lack of confidence in the Washington Pact which sets an example destructive of the whole



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British policy of securing peace and stability by precise international agreements. The Admiralty in reply bases itself on the simple, technical ground that, with the increase of tonnage in the later ships and the addition of "bulges" to older ships, the dock must be enlarged to take them. Parliament has approved the scheme but the last has not been heard of it.

The Admiralty has also been involved in another public controversy over what may be called the air wing of the Navy. For some time an acrimonious struggle for the general control of aircraft on naval service has been proceeding between the Admiralty and the Air Ministry. It has been aggravated by the fears which rash proposals for its abolition, often advanced by sailors, have engendered in the Ministry. The Admiralty wishes to incorporate that part of the Air Force—not more than five per cent. of the whole—which moves with the fleet, which constitutes its chief means of reconnaissance and fire direction and must, by universal admission, come under the naval commander-in-chief for all tactical purposes. Its incorporation as a naval service is held by the Admiralty to be essential if its personnel are to have the sea-sense, and the fleet, reciprocally, to gain the air-sense which are required for effective co-operation. The Air Ministry emphasises the importance of retaining its integral responsibility for recruiting, training, apart from the specialised naval training of units co-operating with the fleet, research and design. A sub-committee of the Committee of Imperial Defence has now reported against the concession of the Admiralty's demands. If the Board of Admiralty did not, as has been stated, formally pledge its resignation against the Cabinet's adoption of the Report, it was said to be not far from the step. The Cabinet, while acceding to the main lines of the Report, has promised concessions to the Admiralty view and further consideration in the autumn. What may, however, prove the most valuable of the sub-committee's recommendations are its proposals for an interchange of

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personnel between the Admiralty and the Air Council and for the strengthening of the powers of the Committee of Imperial Defence for the better co-ordination of all three services.

The Government has taken forward steps in two other matters not unrelated to Imperial defence. It has given provisional approval to a modified form of the scheme which Commander Burney submitted many months ago for a State-supported experimental air service to Egypt and the East, and it has sanctioned the development, by private enterprise in conjunction with the State, of the long deficient wireless equipment of the United Kingdom.

### II. THE INDUSTRIAL SITUATION

STRIKES and talk of strikes have lately filled more space in our newspapers than we had come to regard as usual. Restlessness among the miners, a lock-out of boilermakers, a threatened partial strike of railway shopmen, an impending national railway dispute, and, above all, a prolonged unofficial strike of dockers—these and the never-ending crop of minor labour troubles have been thrusting themselves on to the notice of the public and creating an impression that the labour movement is once more in that advanced stage of ferment which is generally, and not very aptly, called “unrest.” Moreover, the fact that in at least three cases these disputes either had their origin in, or were complicated by, internal contention in or among the trade unions concerned has given rise in certain minds to the belief that the trade union movement is beginning to disintegrate.

To accept that inference, in the writer's opinion, would be a mistake. It is true that for a long time the trade unions, weakened in membership and funds by continued and widespread unemployment, have been compelled to give ground before the successive demands of employers

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for the reduction of wages, and that the morale of the trade union forces, as of any organised fighting force, must be strained by an enforced retirement. But a little display of friction between a couple of units here, and a little aggression in defiance of orders there, do not necessarily foreshadow the coming of anarchy. Such incidents may attend any rearguard action and yet leave unshaken the solidity of the line as a whole. It would therefore be unwise to assume, because there are quarrels and unruliness in the labour camp, that the trade union movement is demoralised.

Such ebullitions may tend, in fact, to steady the main body of the labour forces. If they have any significance at all, it is that some elements at least in the trade unions are no longer prepared to retreat, or, at any rate, to retreat without fighting. There is undoubtedly a spreading feeling, not only among the rank and file but among the leaders of trade unionism, that the time has nearly come for making a firm stand, and the unofficial strike of dockers has given strong support to that feeling.

The arguments put forward for the docker deserve some examination. In 1920, as the result of public inquiry before Lord Shaw, the docker was given a minimum wage of 16s. a day. Since then the cost of living has fallen, and the 16s. has fallen after it. By successive stages it had been brought down until at the end of June it stood at 11s. On July 1 another reduction of 1s. was due, under an agreement made many months before, on the basis of the cost of living figures compiled by the Ministry of Labour. "Hang the agreement!" said the docker. "This means at least 5s. less for me this week than last week, and the cost of living doesn't drop like that. The figures must be wrong." Some unknown people in a Whitehall office juggled with them, so the argument ran, and arrived at results which did not agree with actual experience. It was a question of fact *versus* arithmetic. One of the Labour members summed up the case when he invited the Minister

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of Labour to "come with me and spend two Treasury notes in the shops and compare them with the retail prices published in the *Labour Gazette*."

Ostensibly, then, the dockers and their apologists sought to justify the breaking of the agreement by impugning the correctness of the official index figures. It is no part of the writer's business to enter into the controversy which surrounds that question. The controversy is not new. More than two years ago the Ministry of Labour found it necessary to publish a full account of the method by which the index figure is calculated.\* A summary of that statement has more recently been published as a result of questions arising out of the dockers' strike,† and the Minister of Labour has expressed his opinion that the subject might well be investigated afresh "when working-class conditions become more normal." In these circumstances it is sufficient to note that there has been no change in the method of calculation since the period when the index figures were being used, chiefly at the instance of the workers themselves, as a basis for claims to wage advances. The argument on the accuracy of the figures, therefore, is irrelevant. But it is worth noting, if one wishes to understand the action of the docker. The cut in wages against which he struck was something immediate, concrete and visible; the fall in the index figure was gradual, intangible, even invisible. It was useless to tell him that a year ago his union leaders had negotiated, and his union delegates had accepted, an agreement whereby the reduction was to be made automatically, if the cost of living fell sufficiently. He had forgotten the agreement, or he had not noticed the fall—a point or two a month—in the cost of living figure.

This brings us to the first real question raised by the dock strike. The agreement was negotiated in July, 1922. The second cut for which it provided took effect in July,

\* *Ministry of Labour Gazette*, February, 1921.

† *Ibid.*, July, 1923.

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1923. The interval was too long. The cost of living, as every housewife knows, does not usually rise or fall violently. Indeed, as a rule, the changes are scarcely perceptible. The dockers' agreement provided for a reduction of 1s. a day on or after June 4, 1923, if the cost of living figure fell ten points below the level at which it stood on September 1, 1922, when the agreement was signed. On that date the figure was 79. On June 1, 1923, it was 69. The docker in Hull, Grimsby, Bristol and Cardiff, where the strike began, or in London, Liverpool and the other ports to which it extended, can hardly be thought to have observed this fall month by month—79, 78, 80, 80, 78, 77, 76, 74, 70, 69; still less could he or his household have been as conscious of the ten point fall as they were of the consequent 1s. fall. The sliding scale, whereby wages rise or fall with the cost of living, has many merits, and has worked smoothly enough in the case of railwaymen; but its efficacy depends on its regular, short period operation.

There is, however, another question of great importance which is raised by the dock strike, and one which, probably, was more prominent in the minds of many of the strikers than the correctness or otherwise of official figures. The railwaymen have, as part of their sliding scale agreement, a series of "stop" rates, or absolute minima, below which no reduction in wages is made, however low the cost of living may fall. In the case of certain grades of railwaymen, these "stop" rates have been reached. The docker, on the other hand, has no guarantee, other than his own bargaining power, against a further reduction in his daily rate. He foresees the 16s. awarded by Lord Shaw dwindling still further. He is unable to see in operation any of the benefits of Lord Shaw's award in regard to maintenance during periods of involuntary idleness. He considers himself therefore doubly aggrieved by contrast with his fellow transport worker, the railwayman, who has a basic wage and regularity of employment. Somewhere, he reflected, the docker himself must impose a "stop" on the

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wage scale, and this was probably one of the factors which induced the men at Hull and elsewhere to strike six weeks ago. That the leaders of the Transport and General Workers' Union took this view is clear from a statement made by Mr. E. Bevin, secretary of the Union, on July 3 :—

The union must honour its agreement. The policy of the union is, however, to regard this 10s. a day as the stop figure. Our opinion is that sporadic fights in single ports are wrong. The agreement ought to be honoured, and if there is to be a fight to maintain our conditions, and our stop figure, care should be taken that it should be a complete and well-organised national one.\*

If that statement may be taken as a considered declaration of the policy of the union, the strike may be regarded as a preliminary skirmish conducted by men a little tired of cautious leadership, and its settlement will be the signal for large-scale national negotiations for a permanent minimum wage of 10s. a day for dock labour.

Thirdly, comes the question of discipline in the Transport and General Workers' Union. The strike began, as already stated, at Hull and one or two other ports, and spread rapidly to London and elsewhere. It was repudiated by the national leaders of the union. "The union," said Mr. Bevin, "must honour its agreements." The strikers paid no heed to him, or to Mr. Harry Gosling, M.P. "No worker shall return to work until the employers agree to pay 15s. 6d. a day, which shall be stabilized" was the reply of the strike leaders. The National Committee of the union unanimously called on the men to resume work. Some obeyed, but others ignored the order. On July 10 the Annual Delegate Conference of the union, by an overwhelming majority, endorsed the instructions of the National Committee, as follows :—

That the National Committee for the dockers' section of the Transport and General Workers' Union, while appreciating the

\* *Daily Herald*, July 4, 1923.

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resentment shown against reduction of wages generally, resolves that the present agreement has been entered into with the consent of the elected delegates of the ports and with their full knowledge, and that the policy of the union in honouring this agreement must be adhered to, and hereby instructs the men now on strike to return to work by July 9.

The Conference also calls on the men still out to return to work immediately, thereby obeying instructions and endorsing the action of Executive Committee and officers in refusing to depart from the constitutional procedure of the union in dealing with the problem.

Still some tens of thousands of men remained idle. Their own unofficial strike committee advised the London dockers to return to work, but the advice was rejected and a new committee was appointed. So the struggle continued, though the ranks of the strikers steadily got thinner. On July 25 the General Council of the Trades Union Congress, representing the great majority of the trade unionists of England, urged the dockers, "in the interests of trade unionism," to be loyal to their leaders. By the beginning of the fifth week these appeals began to have their effect, and London was the only port still affected. The unofficial committee attempted to secure the intervention of the Ministry of Labour, but without effect. At the time of writing the strike appears to be approaching collapse.

From the above short history of the outbreak it will be seen that the officials of the union and the national spokesmen of the trade union movement as a whole discounted the strike from the beginning. It would be true to say that no responsible leader of any trade union would embark on or support a strike for the strike's sake. A stoppage of work means a heavy drain on union funds, increased work and worry for union officials, and, usually, a serious leakage of membership. Nor is it less true to say that no responsible leader of a trade union would willingly consent to or connive at the breaking of an agreement. Breach of an agreement means possibly the breaking of other agreements, and in any case the carrying of a crushing



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handicap in subsequent negotiations with employers. From the first, therefore, it was certain that the strike would be denounced by the national officers of the union. Nevertheless, it is just that the action of Mr. Bevin and his colleagues should be fully acknowledged, and should be remembered if and when they decide to put into operation their national policy as announced.

What, then, is the reason for the insubordination among the rank and file of the union? The easiest answer is: "Communism and money from Moscow"; but as an answer it is not convincing. The dockers are not Communists. They have a war record equal to that of any group of workers. Nor is Moscow likely to waste money, if it has money to spare, on the British worker. Moscow long ago abandoned all hope of converting him. No doubt there are in every port, as there are in every large industrial centre and in almost every class of life, a number of Communists who would rejoice to create trouble, if they could, and who lose no opportunity of fomenting trouble whenever it occurs. No doubt some of the unofficial strike leaders are Communists. But a handful of Communists are negligible unless they are provided with a mass of inflammable or explosive material with which to work. In the present case there were thousands of dockers in every port, sore at what they regarded as an unjust attack on their standard of life, and uncertain when the next attack would come. The material was ready. The agitator is always ready. The strike began. And, because all men have the capacity for obstinacy, the strike continued. To attribute it to Communism is to flatter the Communist and insult the docker. To suggest that it will wreck the Transport and General Workers' Union is to under-rate the strength of trade unionism and the hold which it has on the worker. The average trade unionist is none the less loyal to his union if, like the imaginary coster husband, he reserves to himself the right to display his affection occasionally in violent ways.

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The dispute concerning the wages of railway shopmen illustrates another trait of the trade unionist. Usually, in proportion as he esteems his own union, he dislikes all others, and especially any which appear to compete with his own. The railway shops dispute is a dispute which has been in progress for some years. Every railway company employs a number of manual workers in tasks incidental to the working of traffic ; for example, in the building and maintenance of locomotives and rolling stock, stations, signals, telegraphs, tunnels, bridges, docks, and so on. For the adhesion of these "shopmen" there is keen competition between the so-called "craft unions" (the Boilermakers' Society, Electrical Trades Union, Vehicle Builders' Union, Amalgamated Engineering Union, and a score of others), and the National Union of Railwaymen. The "craft" unions, which cater for men engaged in these respective classes of work in industrial undertakings generally, contend that men employed in similar work for a railway company should properly belong to the unions of their fellow-craftsmen. The National Union of Railwaymen holds that all men employed, in whatever capacity, by railway companies should belong to the railwaymen's society. There has consequently developed a sharp rivalry between the two sides, and from time to time each seeks to prove, by energetic action in the supposed interests of the shopmen, that "Codlin's the friend."

The present dispute, which is only one round in this long contest, turns on a decision of the Industrial Court given on July 8, 1922, concerning the rates of pay and conditions of service of railway shopmen.\* The case was of an extremely complex character, and involved many difficult issues. Briefly, it may be said that the Court decided that railway service should be regarded as being a distinct industry to which special conditions attached, and that no obligation should be imposed on the railway companies or

\* *Decision of Industrial Court*, No. 728. Railway Shopmen (H.M.S.O., 1922).

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workers to adopt or follow the rates of wages applied in other industries employing similar classes of labour. Accordingly the Court set out schedules of wage rates for the various classes of workpeople in the railway service, keeping in view, among other factors, the district rates of the various classes in non-railway employment, but declining to regard such district rates as predetermining the rates for railway employment. In coming to this conclusion the Court avowedly took note of the fact that, where a railway drew on supplies of labour of a kind required in other industries, the rates to be paid by the railway company could not, without inconvenient consequences, differ too widely from the rates obtainable by the men elsewhere. A further decision of the Court, in opposition to the contention of the National Union of Railwaymen, was that the rates scheduled should not be subject to a sliding scale as were those of the traffic workers, but should be the subject of negotiation between the parties as occasion arose.

This decision had its sequel recently, when the National Union of Railwaymen issued a strike notice on behalf of its members employed in the workshops of the Great Northern Railway, now part of the combine known as the London and North Eastern Railway. The G.N.R., on the ground that it was not a party to the Court proceedings, had refused to apply the award, though other companies had done so. Following the strike notices, the L. and N.E.R. got into touch with the "craft" unions, with a view to a general conference. The Amalgamated Engineering Union declined to attend such a conference, and it was reported that other craft unions took the same course. Eventually, representatives of the railway company met leaders of the N.U.R. and the A.E.U. in separate rooms, and, on a promise of intervention by the Ministry of Labour, the strike notices were withdrawn.

Here was a case where the employers found themselves faced with opposed demands from rival unions, and actually confronted with a stoppage of work as the result of

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this domestic quarrel. A similar situation, on a more general scale, has arisen in connection with a proposal by all the railway companies for a reduction in the wages of shopmen. The N.U.R. has declared its opinion that in future the wages of shopmen should be adjusted by the existing conciliation machinery which deals with the wages of other railway workers. The A.E.U. has pronounced itself opposed to any such arrangement. At the time of writing, an effort is being made to bring the rival organisations into joint conference, with a view to seeking a way out of the impasse. From the point of view of the best interests of the unions themselves, apart from those of the railway companies, it is to be hoped that this long-standing quarrel will be brought nearer to an end. Harm enough is done to the good name of trade unionism by such irregular actions as that of the dockers, but not less discreditable are the perpetual bickerings and jealousies between competing unions. Under the guidance of the General Council of the Trades Union Congress, considerable, though slow, progress has been made in the elimination of overlapping and rivalry, but much remains to be done before the trade union movement can claim that it is solid and well-knit, and before employers and the public can be sure that they will not be from time to time the unrejoicing third.

## CANADA

### I. THE SENSITIVENESS OF CANADIAN NATIONALISM

EVERY one knows that there are many elements in a national life, as it is ordinarily understood, which are completely lacking in Canada, and that we are constantly drawing on England, on America, and in some degree on France, to supply our deficiencies. There is no distinctively Canadian literature, science or art, in the sense in which there is a distinctively Canadian contribution to political experience. And Canadian nationalism has remained primarily political. Its incompleteness is obvious, undisputed, and yet often overlooked. The nationalist, it is true, may speak of the need for developing Canadian art and literature, but it is by no means clear whether he has in mind the evolution of something distinctively Canadian, as Dostoevsky is distinctively Russian, or whether he is merely expressing a pious aspiration that some "British subjects ordinarily resident in Canada" should be artists or men of letters. The imperialist may see in the incompleteness of our national life a reason why we should supplement it through intercourse with Great Britain and the other Dominions; but in practice this argument usually degenerates into a consideration of the desirability of reading English rather than American periodicals, perhaps into an unfair comparison of the best English with the worst American literature. The internationalist would be inclined to congratulate us on having

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to draw on many countries for inspiration, but would be vague as to the precise benefits to be obtained.

But though its translation into argument by nationalist, imperialist, and internationalist may be comic rather than profound, the fact that we cannot reasonably aspire to achieve, within a measurable time, a national life complete and many-sided, such as is enjoyed by many of the small nations of Europe, is real enough. It is a fact of which account has to be taken in politics, and a fact which is of essential importance in understanding some features of Canadian character—for instance, our extreme sensitiveness on certain points. As long as we have not got some sort of common cultural life, or common literary interests, intimate relationships between distant provinces are barely possible. It is hardly too much to say that they depend largely on the circumstance that the West has been in part colonised from the East and that it is easier for settlers to keep in touch with relatives in the East than with relatives in Europe. For a British Columbian, French Canada is more unknown, and more unknowable, than modern France; and Prince Edward Island is more unknowable than Scotland. In recent controversies secession has been lightly talked of in Nova Scotia and in British Columbia. The word was perhaps not meant quite seriously, but the Confederation was certainly referred to rather as a bargain for mutual advantage than as a national union.

While we know that we have not got a real national life we are not seriously inconvenienced by its absence. We do not feel a real need for it. But that ambiguous word "nation" has a subtle charm for us and we do not like to be reminded that other countries have and value something which we have not got. The feeling is foolish, but human enough and comprehensible. The situation is a trap for the unwary visitor. We may mention our own deficiencies, as one makes a generous concession, half expecting a similar concession in return, rather than sympathy which we may mistake for an assumption of superiority. The

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visitor may not realise that a skeleton is being concealed, that the most innocent remark may be understood as a veiled reference to unpleasant facts which cannot be denied. If he is moderately observant he will notice that on many points we are extraordinarily sensitive. He may be a little puzzled. There is much to be admired in Canada, much of which we are justly proud. Why should there be a feeling that the visitor is seeing flaws which we should like to hide? Canadians criticise freely both English and Americans. Yet they are easily offended if an American makes a harsh criticism of the English, or if an Englishman speaks ungenerously of Americans. Often a remark intended to please by drawing a sharp distinction between the Canadians and the nation criticised gives real pain; for there is a feeling that one is accepted as a partner but not as an equal partner. We may speak of ourselves as distinct from either country, as a separate nation, but we know that the distinction is mainly political, and that in other directions our separate existence is less genuine. If any one else says all this we are hurt and humiliated. Even so commonplace an observation as that we have a full share in the British traditions, that British history is our history, and that British heroes are our heroes, has been taken to imply that we are not really a nation—and that the speaker is, or believes he is, in some way superior to us. Indeed, even if one knows that there is no such belief in the mind of the speaker, a feeling of inferiority may be excited in our own minds. This hypersensitiveness of ours is regrettable, and the best cure is, perhaps, to explain it to ourselves, and so to apply a Freudian treatment to a whole people. Such a course takes time, and for the present our visitors and our critics should respect the fiction of complete nationality without allowing themselves to be its dupes. Canada's most serious problems arise from a disunity which we conventionally disregard; and no serious political policy can be thoroughly understood unless this circumstance is remembered.



## French Canadians and French Culture

### II. RELATIONS OF FRENCH CANADIANS TO FRENCH CULTURE

AFTER more than a century and a half of British rule, the French in Canada constitute the largest foreign group of European extraction within the Empire. To the present day they have retained intact their particular institutions and language. In face of this remarkable fact, one is naturally led to inquire what are their relations to their former mother-country, France ?

The contact between France and Quebec is realised through many agencies : books, reviews, theatres, lectures, travel, university courses, artistic studies and religious relations.

Books from France are to be found all over the land, and they cover all the manifold expressions of intellectual activity. The theatre also brings to Quebec French ideas, but, powerful as it could be, its action is restricted to large cities. In Quebec, lectures are very popular and speakers from France are assured of a large and sympathetic audience, whether they are lecturers of *L'Alliance Française*, official delegates on special missions, travelling professors, journalists, or globe trotters.

Increase of wealth and facilities of travel are every year bringing to France a larger number of visitors from the Laurentian province. But the Canadian that crosses the Atlantic is very much more of a tourist than anything else. A greater factor is the student who goes to complete his education in Paris. Habitually, there is in the French capital, a little colony of between 20 to 50 students.

Religion does also its part in bringing together the two countries, as France sends to Canada large quantities of religious literature, while religious communities, belonging to the same order, keep up constant relations. Already, from what precedes, one can see that the influence of French culture on Quebec is confined to very special limits.

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In the field of politics there is hardly any point of contact. Steeped in British parliamentary traditions, Quebec has no sympathy with the French system of numerous political parties. The institutions do not appeal to her, and the spirit and programme still less. Catholic and traditionalist, in spite of the Liberal sign on her door, she cannot stand nor understand French radicalism and anti-clericalism. There is between them a gulf, which no bridge could span.

In social and domestic life, Quebec has gradually moved from French to English and American habits and customs. A Quebec family lives pretty much like any Canadian family inside and outside the house. French frugality is replaced by American passion for distraction. An indifferent quantity in France, religion in the Laurentian province is almost considered indispensable, for Quebec upholds a much stricter code of morals, being intolerant of divorce and right-to-love talk. French society is crammed with conventions and old-fashioned ideas, while Laurentian society basks in the sun of freedom and informality.

In the matter of religion, no doubt, French Catholicism extends its action and help to Quebec, while in the domain of sciences and fine arts one might say that Paris is the post-graduate university of French Canada.

But it is, perhaps, in literature that France exercises her strongest and widest influence. Her books are found in all hands. To all, they teach the characteristic French qualities of method, logic, lucidity and precision. They constantly renovate the flow of ideas and the art of expression, enriching the mind and the vocabulary. They broaden the horizon and liberalise the conceptions that might remain too provincial. They shake the too dogmatic formation of the Quebec man. Sometimes they may contribute to tinge a few individuals' ideas with a veneer of radicalism or even rationalism, while somewhat relaxing the rigidity of their social attitude. But those cases are exceptional. As a rule, the effects will remain strictly

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intellectual. It is by burning the midnight oil in the school of French literature that Quebec writers are slowly and gradually developing and perfecting a French Canadian literature.

The effect of French culture may be briefly said to be : a spiritual intension of French mentality, without leaning to French institutions or ideals ; an acquisition of greater scientific equipment in several spheres ; a religious assistance in thought and practice ; a potent and beneficial literary lesson in method and style ; a formation in logical thinking and precision of speech ; and finally the growth of a superior taste and culture in all domains. France, therefore, remains an efficient, if secondary, influence in the evolution of Quebec ; though, by the nature of things, such influence is bound slowly to decrease in proportion as Quebec develops a wider culture and literature, and becomes more and more self-dependent and self-sufficient in her various spheres of activity. Independent of her in every other way, Quebec largely remains an intellectual colony of France.

One point yet requires investigations : the attitude of Quebec to France. After experiencing several changes, Quebec's present sentiments seemed to be unsettled, vacillating between two minds. The war brought a singular situation. Deeply resenting Ontario's restrictive regulations of French teaching in schools, even during the war Montreal Nationalists advocated a policy of military passivity with the slogan : "Our school-rights, or no Fight." Such a policy naturally forced them to an explanation of their indifference to France's distress. Unhesitatingly going back on his fervid praise-singing of France at Quebec in 1912, and at Lourdes as late as 1914, Mr. Bourassa began to indict France as one of the parties responsible for the war, and ended by declaring that Quebec owed her no obligation whatever, adding that the time had come to stop shackling Quebec with that "moral colonialism." This, of course, was exceptional and resented

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by a great many. Nevertheless, it has left behind some impress. For instance, the new school of Nationalism, the one led by *L'Action Française*, is giving a new version of it, when Mr. Groulx claims that New France was purposely left in the lurch by Louis XV. and the Pompadour, with the approval of France. Strongly regionalist and provincial, that group does not take very kindly to French culture. The *Union sacrée* and the *entente* with the Vatican do not abate their half-dislike and half-fear of it. There have been printed pretty strong denunciations. In very guarded terms, *L'Action Française*, while protesting its full agreement with the best of French ideals, nevertheless between the lines suggests a suspicion of French ideas.

However, the normal present attitude of Quebec to France and to her culture is better represented and interpreted by Mr. Olivar Asselin, who has recently rebuked both Mr. Bourassa and Mr. Groulx for their assertions. For him, and for the majority in the province, France remains the old Motherland, which founded Canada, giving her the best of her blood, talents, and assistance. In a struggle for life, necessity alone forced her to give up the colony, in whose progress she long after took a deep interest. Of that ancestry Quebec, who *se souvient*, is very proud, as she is of the great part played by France in the world's civilisation, of her wonderful literature, artistic attainments and beautiful language. Proud of her past, a most romantic and heroic history, Quebec feels a duty in the present, which is the maintenance of her French culture. In order to achieve it, and to avoid being absorbed in the almighty stream of Anglo-American civilisation, she must, while standing by the achievements of old, refresh and reinforce herself by drinking the purest wine of French moral and spiritual culture, of French art and qualities. France must be her spiritual professor.

Still, while looking up to her for inspiration, at no time, except during the period following the conquest, did the Laurentian province ever wish to return to French

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allegiance. And now less than ever. Quebec, in fact, has acquired a mentality of her own; she has adopted many British institutions and ideas to which she has adapted herself successfully, and she is striking a way for herself, leading up to national ideals of progress and permanence. Between the two countries the bond resides in the community of history and the unity of language. It is a bond sentimental in the past and intellectual in the present. It connects, but it does not unite, what war parted so long ago.

The result shows an intelligent and determined will on the part of Quebec to keep alive her French traditions and language, while at the same time evolving a distinct mentality which is neither French nor British, but which strives, through instinctive as well as rational eclecticism, to amalgamate what is best in French culture and language with what is best in British politics and institutions. With equal energy and stubbornness, the Quebecer, out of racial consciousness, refuses, at one and the same time, to be a Frenchman or to become an Englishman. Rooted in his Catholic faith and his French language, his only wish is to remain a Canadian.

### III. GEOGRAPHY AND DEVELOPMENT

CANADA'S economic problems are complex, and are accentuated by the contiguity to the great American republic, as well as by physical barriers within the Dominion's vast area. It is this contiguity to a country of highly developed resources, a dominating people of like language, ideals, and habits, that makes the problems of the Dominion more difficult to solve than those of any other part of the Empire. The physical barriers between the political divisions of Canada, and the freedom of access and intercourse between them and contiguous areas of the United States, have retarded the development of the

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former, and continue to exercise an influence on every phase of its national life.

The United States is divided into three great geographical areas—the Atlantic slope, the Mississippi Valley, and the Pacific slope. Canada has four—the Atlantic provinces, the St. Lawrence watershed comprising Ontario and Quebec, the Prairie provinces, and British Columbia on the Pacific coast. Between the Atlantic provinces of New Brunswick, Nova Scotia, and Prince Edward Island and the St. Lawrence Valley is thrust the wedge-shaped state of Maine, which leaves but a narrow Canadian isthmus of barren and sparsely populated land, and makes transportation between the two sections costly by reason of distance and scarcity of local traffic. Between the St. Lawrence Valley and the Prairie are hundreds of miles of morass and rock, probably rich in minerals, but of little agricultural value, which likewise increase the cost of transportation and form a barrier to national intercourse. The Rocky Mountains are a mighty barrier between the Prairie and the Pacific slope, and the heavy mountain grades and sparse population make commercial exchange and national fellowship difficult. But while barriers exist between these natural divisions of the Dominion, there is practically none between them and the contiguous American divisions: the Atlantic provinces have an open door to the American Atlantic states; Ontario and Quebec have easy access to the states east of the Mississippi; the Prairie provinces are similar in character to the American Prairie states west of the Mississippi, and are divided from them only by a surveyed line; while British Columbia, barred from the Prairie provinces by the Rocky Mountains, is part of the great Pacific slope from Mexico to Alaska. Thus on the northern half of the North American continent communication east and west is difficult and costly; between north and south there are no obstacles, and because of the similarity of language, customs, and occupation nature's tendency always is to make the Canadian natural divisions



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co-operative with those to the south, and to hamper intercourse between the provinces.

North America witnesses the anomalous spectacle of the northern half, of vast area and sparse population, losing its people to the southern division, of less area and with a population twelve times as great. The Atlantic provinces of Nova Scotia, New Brunswick, and Prince Edward Island are giving people, not to the vast Canadian west, but to the states of Massachusetts and New York; from Quebec there have gone across the border French Canadians in numbers such as to threaten the dominance of that race in several of the New England States; and Ontario has done more to people the states of New York, Michigan, and Illinois, than has any other state of the American Union. In New York City and its suburbs there are four hundred thousand Canadians; and Buffalo, Detroit, and Chicago contain more Canadians than native born Americans. For fifteen years the Canadian prairies drew a large agricultural class from the American west. Lately there has been a steady decrease in this movement, and as this immigration always lacked permanency of settlement, it is probable that the exodus is now even greater than the influx. British Columbia steadily draws population from the prairies, but in periodical depressions loses its artisans to the Pacific states of Washington, Oregon, and California. Thus a people of one hundred and ten millions draws steadily on the population of nine millions to the north, and under the immigration laws of the United States, restrictive against all the world except Canada, this great loss to the Dominion has steadily increased until it is a debatable question whether the country is growing in population even to the extent of natural increase; for new citizens obtained, at least an equal if not a greater number of old citizens are lost to the wider field to the south. The Canadians are a northern people looking southward. Unfortunately there has not yet developed among them a real conception of the great potentialities of the north,



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and there exists always the lure of the great cities of the Republic, with their larger scope for enterprise and adventure in commercial life. There are no physical, racial, or linguistic obstacles to hamper an easy translation from Canadian to American citizenship. Canadians are welcomed, encouraged, and desired in the life of the Republic, and this loss in brain, brawn, and business ability is the most serious obstacle to progress and development at home.

Confederation was based on British citizenship and inter-provincial trade. Where but fifty per cent. of the population is of British birth or descent the bond of commerce is essential. All our transportation systems, from the Inter-colonial Railway, an obligation of confederation, to the ill-starred enterprise of the Grand Trunk Pacific and National Transcontinental, were projected and constructed to increase inter-provincial trade, to keep the channel of commerce east and west and within the country's boundaries. Our tariff system has the same object. Both by transportation facilities and tariff imposts it has been sought to keep the country's trade Canadian, and to prevent its diversion to American ports, especially on the Atlantic coast. The problem on the Pacific coast is not so serious.

From April to December this is quite feasible, because the St. Lawrence waterway gives to central Canada an easy and rapid access to tidewater ; but during the remainder of the year, because the St. Lawrence is icebound and Canada's Atlantic ports are far distant, there is a serious diversion of traffic to Portland, Boston, New York and Baltimore. One half of Canada's wheat exports reach European markets through American ports, and Canada thereby loses control of the purity and grade of its greatest article of commerce. Imports naturally arrive through ports where outward bound cargoes are available, and this also retards the development of Canada's North Atlantic transportation facilities. The enactment of the increased preference, which will subsidise British goods entering

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Canada through Canadian ports, is an attempt to remedy this condition.

High freight rates, partly caused by the increased cost of labour and material, but chiefly by the enormous deficits on the government railway system, have, to a considerable degree, destroyed the inter-provincial commerce which was an object of confederation and of careful nurture since. The Atlantic provinces have commercially become almost segregated from the others, as has British Columbia; and the Prairie provinces are groaning under the burden of the cost of transporting their requirements from the industries of the East to the farms of the West. Here contiguity to the United States is again an economic and national factor; the several natural divisions which want markets look southward to the vast purchasing population, while the consumer is inclined to believe he could economise by importing from the south rather than from east or west. Equally dangerous is this to Canada's industrial and financial independence; it is giving the Canadian market to American industry, crippling our national and industrial progress, creating an unfavourable trade balance, and, because of our extensive borrowings in New York, tending to make Canada a financially dependent subsidiary of the United States.

This contiguity to the United States has strongly influenced Canada's national characteristics and ideals. The Canadian is a British North American; his ideals are British; his practices American. The Australian, New Zealander, and South African will always be more characteristically British than the Canadian. They have an isolation that makes for the perpetuation of the ideals and customs of the Motherland, while the Canadian must, by contiguity to, and close association with, a people of like language and customs, be a compromise between the European Anglo-Saxon and the United States Anglo-Saxon. That contiguity has its advantage, but also its problem of national and industrial development. Our

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political and economic life will always be influenced by it, and there will always be a struggle for economic, if not for political, independence. As Canada broadens, develops northward, that influence will be combated and weakened.

The position of Canada, within the Empire, but contiguous to another people, alike in customs and language, but vastly superior in numbers and wealth, has made imported economic theories impracticable guides in her national affairs. Before Canada is always the danger of absorption of her people, her business, even her national identity, by a country not barred by physical or national obstacles. To combat this menace Canadian policy has varied little since confederation, and that policy maintains Canada's customs barriers and a steady deepening of trade channels across Canada rather than across the international boundary.

### IV. CURRENT POLITICS

**P**UBLIC interest in politics is at a low ebb. For this fact there are several reasons. An obvious one is the post-war desire for tranquillity ; though it is, perhaps, the least important, in the long run at any rate. But a country which is still engaged in constructing and developing the complex economic basis of life, rather than in operating and adjusting a fully articulated mechanism, has limited preoccupations which tend to divert the keenest and even the most comprehensive of its minds into a single channel. This involves a loss to politics, and the capacity of present politicians is probably less than that of their predecessors. The result is that politics are beneath the level of the general intelligence of the community, and politicians are held in a little contempt. And the country is not well served by its press. The newspapers contain more news, especially foreign news, than they did before the war ; but they are too indiscriminating, and there are no critical periodicals to help readers to estimate its value or effect. Both

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politicians and press play the game on too low a level for their public. Then, too, competing attractions and agencies for political thought and action are increasing in number and importance. Organisations like national councils of health and education, the League of Nations Society and federated clubs, may serve an exceedingly useful purpose; but if they tend, as they seem to in Canada, to divert both interest and personnel from the grand assize and authority of the country, Parliament and government inevitably suffer. And a people with diversities of race, religion, and economic background, settled on a strip more than three thousand miles long and hardly more than a hundred miles wide, needs a centre of interest and activity as no other does.

But the picture may be too darkly painted. There is another side to the shield. In the last few years a condition has arisen which has already commenced to have what will be an increasing effect upon political interest and thought. This is the great expansion of public debt, expenditure and taxation. Formerly the national revenue was largely derived from indirect taxes, which were never very burdensome and always only obscurely felt. But the war brought direct taxation of incomes, which radically affected the public attitude to the expensive activities of the State. In a way they never did before people now feel directly the cost of government, and they are beginning to take a deeper interest, not only in its expense, but also in its ends and operation. As yet this interest somewhat lacks form and direction; it is slightly querulous, rather than helpfully critical; but it is steadily extending among the mass of citizens. Its present effect shows itself in a disinclination to be fobbed off with phrases, promises, and expedients, a disposition to test the undertakings and performances of Governments, which will make for greater honesty and reality in politics. Another hopeful circumstance is a slowly growing conviction of the important effects of foreign politics upon domestic conditions. Before,

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and even during the war, the limited interest in external affairs was largely sentimental; it is slowly becoming more extensive and real.

Turning to the actual events of current politics, a peculiarly unsettled condition is found. Ever since it took office public and even parliamentary support of the Government has been insecure, and both of these props have lately been shaken. A by-election in Saskatchewan, where the Farmer candidate was returned by an increased majority over a Liberal, indicated that the Government's performance has made no appeal to the Prairie west, and that its slender contingent of three supporters from that region is likely to be diminished rather than increased. A Conservative land-slide in the Ontario provincial elections swept the Farmer Government from power; but it decimated the Liberal party, which had been the second largest group, and reduced it to an exceedingly bad third. The Government's financial proposals were opposed by two of its most prominent followers: Mr. Hudson, of Winnipeg, found himself in agreement with his western fellow-members of the Farmer's party, but kept his place on the Liberal benches; Mr. Macmaster, of Brome (Quebec), a consistent advocate of free-trade principles, answered the Prime Minister's accusation of setting up an altar of his own by the remark that "its fires were not fed by the splinters from a broken platform," and crossed the floor.

Parliament has been dull, its action uninspiring, and the public uninterested. The Government's financial proposals, with the exception of the disclosure of increased national indebtedness, are not striking in themselves, for with slight alterations they repeat those of the preceding Conservative Administrations; but their effect on the political views and party alignments of the country may be far-reaching. The different rates of the sales tax—6,  $4\frac{1}{2}$ ,  $3\frac{1}{2}$ , and  $2\frac{1}{4}$  per cent., depending on the stage of business enterprise at which they were payable—are

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replaced by a single rate of 6 per cent. on the duty-paid value both of home-made and imported goods, payable at the first stage of business operations. The maximum stamp tax on cheques is reduced from \$2 to \$1. The disadvantage resulting to domestic wine manufacturers from the customs duty reductions made by the new Franco-Canadian commercial treaty is met by sweeping away three-quarters of the excise tax on their product. Last year's increase of the excise tax on cigarettes resulted in restricted sales, loss of revenue, and increased smuggling, and is rescinded. The customs duty on refined sugar is reduced by 50 cents per 100 pounds, and a proportionate reduction is made in the duty on raw sugar. The customs duty on raisins and dried currants under the general and intermediate tariffs is increased from  $\frac{2}{3}$  of a cent to 3 cents a pound as an inducement to Australia to enter into a commercial agreement with Canada; if one is arrived at, these goods will enter free from Australia, as they now do from Britain under the British preferential tariff. The British preference is increased by providing that a discount of 10 per cent. of the duty payable under the British preferential tariff shall be allowed on all goods dutiable under that tariff at more than 15 per cent. which are brought directly to a Canadian port. Otherwise, with a few insignificant alterations, the customs tariff is unchanged. And that the Liberal Government has announced that it shall remain substantially unchanged is the most striking thing about its financial proposals.

Though the Prime Minister attempted to minimise their effect, some statements of the Minister of Finance, who has a reputation for saying what the Government means, dashed any hopes that the Liberal party intends to reduce the customs tariff. "It is desirable," he said, "that something like an assurance of tariff stability should be given to business men"; and, after referring to the possibility of exceptions occurring and the impossibility of tying the hands of Parliament for the future, he added :

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"it is possible to give the country a reasonable assurance of stability of tariff." This, of course, was profoundly disappointing to the western advocates of a low tariff, and their representatives voted solidly against the Government. So, too, did the Conservatives ; but as the proposals were not radically different from former ones of their own, obviously they did so for quite different reasons. And the Government, because no other party is able and ready to form one, was sustained by the votes of four members of the Opposition side. The significance of the situation is this : the west, which is the area of most rapidly increasing population, and, consequently, of increasing political power, is now, despite Mr. King's flirtations, as definitely detached from the Liberals as the last general election showed it to be from the Conservatives. In fact, though those of neither are bright, the chances of the latter are perhaps superior in the west ; and as the Liberals have been routed in Ontario, the Government's forces are thrown back on the more restricted base of Quebec and the Maritime Provinces, where, because in three of the four provinces they now hold all the seats, their position is likely to deteriorate rather than improve. So, unless there is some union of forces—of which there is yet no sign—any return to the system under which a single party formed a majority of the House of Commons is even further distant than it has seemed.

The debate on the coming meeting of the Imperial Conference, for which the Government ought to have given better facilities and adequate notice, so that it might have been a full-dress affair, was sandwiched between consideration of two petty items of supplementary estimates in committee during the crowded dying days of the session, and was totally unworthy of its subject. It compared very unfavourably with the debate in 1921. Speakers wandered from the agenda over nearly all lands and times ; a Labour member who raised the vital question of the Ruhr got a poor hearing and no reply ; there was no general statement



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of policy by the Government ; and the country has hardly even a vague idea of what is likely to occur. Perhaps little will happen ; for though it is reported that half a dozen ministers will go, all are quite inexperienced, and most are imperfectly informed, about external affairs. But the circumstances are regrettable ; for it is this amateurishness and unreality which makes the public take so little interest.

The debate on the halibut treaty was better ; though there was a good deal of that unreal talk about "status" and "nationhood," of which the public, now that it has discovered that it so frequently involves only minor questions of form, has grown rather weary. On the admissions of the Government spokesmen, especially those of Mr. Lapointe, the member of the Government who signed the treaty, nothing of any real importance has resulted from the Government's action, which apparently was more or less of an empty gesture. It has added nothing to Canada's international power, prestige, or position. Perhaps the only feeling it provokes is one of regret that so much has been said about so little ; but if it stands as a warning against amateur diplomacy it will not have been valueless.

Mr. Meighen substantially limited his criticism to what he termed the "unnecessary and indelicate action" in departing from "the historic form of executing treaties in which this country is chiefly interested" ; and though he is constitutionally responsible for the ministerial acts and statements of his colleagues, this, apparently, was the view of Mr. Fielding, the Minister of Finance. His remark that, "whatever others may have said," he approved of Lord Curzon joining with him in the signature of the Italian treaty, which solely concerned Canada, and the report of a reputable journalist, who is generally supposed to enjoy much of his confidence, that "as a matter of fact, Mr. Fielding's absence [from the debate] was deliberate, and due to the fact that he has never approved of the procedure in connection with the halibut fisheries treaty,"

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and that "he would like to have been present and to have frankly uttered his feelings, which are very much in accord with those of the leader of the Opposition," may throw light upon the unity of the Government. Those who have felt disturbed that there has been some change in the diplomatic unity of the Empire may have their fears stilled by the approval given by both Mr. King and Mr. Lapointe to the doctrine that the latter "received formal full powers to treat and sign from the King on the advice of the Secretary of State for Foreign Affairs," as well as by Mr. Lapointe's statements that the treaty "has the same force, the same strength, the same validity, being signed by a Canadian, as it would have if signed by anyone else," and that "it was an act of gracious courtesy on the part of His Majesty the King to appoint Canadian men to sign Canadian treaties on his behalf."

Though Mr. Lapointe usually speaks with lucidity, and has obviously read widely on constitutional matters, there were some disappointing reticences in his speech, and it was difficult to discover from it what exactly the Government intended to accomplish or thought it had secured by its action. He agreed with the view of the British Ambassador at Washington that the Senate's reservation had widened the scope of the treaty so as to embrace all the citizens of the Empire, and also with the view expressed in the last number of *THE ROUND TABLE*\* that this would involve approval by the constitutional authorities of all those affected by it before it could be ratified; but he said that the Government wanted the treaty to apply, not, as the Senate desired, to any other part of the Empire, but to Canada alone, and that as exclusion from the halibut fishery could be secured by the passage of Canadian legislation closing Canadian ports to those who engaged in it, the Government did not wish to accept the reservation, and had "reasonable expectation" that it would be withdrawn by the Senate at the next session of Congress.

\* *THE ROUND TABLE*, No. 51, June 1923, p. 628.

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There was no indication given of the ground for the Government's expectation, and it can scarcely be made firmer by Mr. Lapointe's "claim that by signing and accepting the signature of Canada on that treaty the United States have recognised the international status of Canada"; for the Senate could only consider it as a piece of Canadian sharp practice if they were held, by withdrawing the reservation, to have assented to what, by its very terms, they have implicitly denied. There must be a better way of getting the United States to recognise Canada's constitutional growth. It is obviously true that, with the possible exception of the Japanese, none could engage in halibut fishing in the Northern Pacific without basing operations on Canadian or American ports, and it would consequently be quite possible to exclude from it not only Canadian but all other British subjects by closing Canadian ports to them. As Mr. Lapointe's speech was diverted by an interruption when he was dealing with this branch of the subject, it is perhaps unfair to conclude that he would have ignored the fundamental right of self-governing British subjects to be bound only by laws to which they are constitutionally held to have assented, but if the Senate insists on the treaty applying to all British subjects, it would be obviously just to have the treaty constitutionally approved on behalf of all those who might be affected by it. Canadian legislation for its enforcement would then be quite unobjectionable. As ratifications need not be exchanged until November 15, in order to bring the treaty into effect for the close season commencing on the following day, the question may well be reserved for fuller discussion at the Imperial Conference in October.

Canada. July 20, 1923.

## AUSTRALIA

### I. FEDERAL POLITICS—THE IMPERIAL CONFERENCES

**I**NTER-IMPERIAL relations, both political and economic, at present occupy the centre of interest in Australian national politics. The recent visit to London of four State Premiers on important missions in connection with migration, the forthcoming Imperial Conferences, and the British Empire Exhibition next year, are all aspects of the one complex problem. Australia is beginning to realise far more clearly than she has realised before the vital inter-dependence of foreign policy, defence policy, migration policy and economic policy. In practically every speech since his accession to office the Prime Minister, Mr. Bruce, has made the inter-dependence of these four factors his main topic. Largely as a result of his speeches, the forthcoming Imperial Conferences have been given even greater prominence in press discussions than the Conference of 1921, and there is a fairly general expectation that the Conferences will be more important in practical results than their predecessor.

As a result of this policy of publicity, Mr. Bruce will have behind him a better educated public opinion than Mr. Hughes had in 1921. In one other respect his equipment will be better than that of Mr. Hughes in 1921. He will have the assistance of one other Minister, whereas Mr. Hughes was the only Australian Minister present in 1921.

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In his speeches the Prime Minister has indicated the general line of policy which Australia will pursue at the Conferences. It is specially noteworthy that he has repeatedly emphasised the paramount importance of foreign relations and defence amongst the subjects to be dealt with at the Conferences. The decision of the last Imperial Conference that "having regard to the constitutional developments since 1917 no advantage is to be gained by holding a Constitutional Conference" (to define Empire relationships), was complacently accepted in Australia. This complacency was rudely shocked by the Lloyd George telegram, which showed that Australia's lack of interest in the foreign policy of the British Commonwealth did not exempt her from the full consequences of that policy. This event, followed later by the declaration of the Canadian Prime Minister that Canada must remain the judge of her own participation in war, and that she would not enter a war unless her own interests were directly touched, has seriously perturbed the Australian Ministry. The more recent declaration in the same strain by General Smuts has added to their perturbation. In the discussions on the Imperial Conference of 1921, which took place after the return of Mr. Hughes, neither the Ministry nor Parliament showed any realisation of the divergences of interpretation which underlay the smooth wording of the Resolution quoted above. The decision to abandon the Constitutional Conference appears to have been arrived at after an informal discussion of which no report was made; and it is therefore doubtful whether the present Australian Ministry have any definite knowledge of the views which were taken by the various Governments as to the real nature of "the constitutional developments since 1917." Subsequent declarations by British and Dominion Ministers have revealed strong divergences of interpretation, and of this fact the Australian Ministry take a serious view. They realise, as Mr. Bruce said in the House on March 1, that the question of the Dominions'

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control of foreign policy cannot be left in its present unsatisfactory position. The main line which they are likely to take in urging a clearer definition of Imperial relationships has been indicated forcefully by Mr. Bruce on a number of occasions. Briefly their position is that the nations of the Group must not merely speak but act together, that there must be a common foreign policy and a common defence policy for the whole Empire ; and that in the framing of these policies Australia must see that she has an effective and not merely, as at present, a nominal voice. This position does not seem to square with the position taken by the Canadian and South African Governments. But it should be remembered that no Australian Government yet has taken the trouble to explain to the Australian people the nature of "the constitutional developments since 1917"; or to give Australia's interpretation of those developments ; nor have those developments yet received in the Commonwealth Parliament anything like the serious attention which has been given to them repeatedly by the Parliaments of Canada and South Africa. It is important that the Prime Minister should take the public fully into his confidence before he leaves for the Conference. Unless he does so he will not be able to speak for an informed Australian public opinion in any debate which may arise with regard to the definition of the constitutional relationships of the component parts of the Empire.

With regard to the practical steps which must be taken to end the present "unsatisfactory position" in respect of consultation, Mr. Bruce has not been explicit. He has not given evidence that he realises as keenly as does Mr. Hughes, the late Prime Minister, that the main key to the problem of consultation lies in communications—wireless and the airship. But it is possible that the Ministry may support the policy repeatedly urged by Dr. Earle Page, the Commonwealth Treasurer, in the last few years, of maintaining touch with the British Government by means

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of a resident Minister in London.\* Whether distance and the uncertainty of politics will prove insuperable difficulties in the way of such a policy remains to be seen.

So far as the Economic Conference is concerned, the position of Australia has been clearly enough indicated in the speeches of the Prime Minister, and in voluminous press and platform discussions during the last few months. These discussions have not revealed any great divergences of opinion between the Country and the Nationalist parties or even between the Coalition and the Labour party. The keen realisation of the interrelation between migration and markets, which has been a striking feature of recent discussions, has given a peculiar intensity to the demand for the development of reciprocal tariff preference with Great Britain. Mr. Hughes expressed a widespread feeling when he wrote recently "The Dominions have done their part. They have granted preference to British goods unconditionally. The next move is with Britain. . . . What are the British people going to do about it?" Mr. Bruce, as well as Mr. Hughes, has expressed the opinion that it is the people of Britain and not the Government that need conversion; and the former suggested in the House that the visit of the Dominion Prime Ministers might "create an atmosphere which will render possible the carrying through of arrangements which to-day appear to be beyond the realms of practical policy."

The Prime Minister in his speeches has devoted much attention to the Economic Conference, and has dealt very frankly with the question of Imperial Preference. The gist of his argument was well summed up in his speech on April 12 :—

The problem with which we are confronted to-day is not so much one of production as disposal of the goods produced. Australia

\* On July 24, Mr. Bruce asked the Australian Parliament to give its views on the question of a resident Minister, and stated that if given access to Cabinet documents and consulted on all matters involving the interest of the Empire, such a Minister would be most valuable and give Australia a real voice in foreign affairs. (See *The Times* of July 25, last.)



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needs markets. We are pursuing a great developmental policy, which must be proceeded with, and we are hurrying men out to populate our empty spaces and produce more goods. We must now find markets. . . Britain depends upon the Dominions for the absorption of the bulk of her exports. We depend upon each other. That position should be developed and consolidated and translated into a definite policy. Australia has already granted a measure of preference to Great Britain, and now it asks that Great Britain should reciprocate and place our trade relations upon a definite basis. Unless this is done the schemes of Empire migration and settlement devised to keep Great Britain's sons within the Empire must fail through lack of markets for the goods they produce. The danger will be avoided if, as a result of the deliberations of the Economic Conference, an Empire policy is evolved of mutual benefit to Great Britain and the various Dominions.

In his speech before the Sydney Chamber of Commerce on April 5, the Prime Minister insisted that the Imperial Conference could not be held in a "proper atmosphere" unless there was a "blunt avowal" of the true position.

I propose (he said) to tell Britain exactly where we say the present position is absolutely unsatisfactory. . . . For the year 1920-21 we gave Britain a preference to our markets amounting to £8,750,000. Britain gave to us a preference into her markets amounting to £45,000. Gentlemen, that position is not equitable, and it is not reasonable that we should continue as we stand to-day.

He proceeded to quote the example of the meat industry, which proved to be of vital importance to the Empire during the war but was now in a desperate position, whilst "the shops of England were stocked with Argentine beef."

While we are in this position in Britain (he continued) we are almost daily receiving offers for reciprocal trade relations with foreign powers. . . . Up to date the Government has turned a deaf ear to every suggestion of that character from outside the Empire, and we are desirous above all things of going on doing so, but we have a duty to Australia and Australia's future, and we have got to find the market for our surplus supplies.

The picture which Mr. Bruce drew in this speech was of the true Chamberlain type—an Empire growing by means

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of "a great common Imperial trade policy" into "the greatest and strongest economic Empire that the world has ever seen or has ever dreamt of."

Words such as these may seem to suggest that the Prime Minister's conception of Imperial economic relations is hardly compatible with the development of a sane and healthy internationalism. But it should be remembered that he is a sincere and devoted friend of the League of Nations and is keenly alive to the necessity of reconciling the policy of the British Group with the best interests of the League. At the same time it must be admitted that in Australia the adoption of full reciprocal trade preference is often urged upon Britain without any thought as to the effect of a change in her fiscal policy upon her relations with other peoples, or of the effect of a general adoption of a system of Imperial Preference upon the international relations of the British Commonwealth as a whole. Nor have the possible methods of preference other than tariff, which were so ably explored in the Final Report of the Dominions Royal Commission, received sufficient attention in Australian discussions.

One of the main tasks of the forthcoming Imperial Conference will be to frame a workable scheme of naval defence in accordance with the decision of the 1921 Conference that "the Empire must have a navy adequate for its defence." What the policy of Australia will be at the Conference has not yet been determined, and the whole question of defence is wrapped in uncertainty. Uncertainty as to the future, assisted by a policy of severe economy, is unsettling and disheartening to the personnel of both the navy and the army, and making difficult recruitment for the naval and military colleges, and this alone makes imperative an early decision with regard to defence. The decision of the Admiralty to establish a naval base at Singapore has been on the whole favourably received in Australia. The press have been quick to realise that, as Vice-Admiral Creswell has tersely put it, "Singapore will

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have at its mercy the line of communications of any enemy fleets or armadas passing south of it. Briefly, Singapore and its grand fleet will have to be eaten up, digested and assimilated before Australia or New Zealand can be seriously menaced." The Admiralty's decision still, however, leaves uncertain the nature of Australia's contribution to naval defence. The Singapore proposal has not yet been fully examined in Australia, and whether or not the policy of the Ministry will include a contribution to the new base remains uncertain. Other points which their proposals may cover are the establishment of one or more subsidiary bases and fuel depots on the Australian coast, and the development of air forces as well as the maintenance of the efficient units of the present fleet, which may be strengthened as regards submarines.

With regard to the general principles which the Government will follow in framing its policy there is no such uncertainty. The following sentences from Dr. Earle Page's policy speech may be taken as summarising the principles which will guide the Government. "The main line of Australian defence must lie in the supremacy of the British Empire upon the seas. To this end Australia must be prepared to accept her responsibilities in men, money and unit of fleet, in consonance with a concerted Imperial plan." Whilst emphasising that the Ministry has no sympathy with any suggestion that the Australian navy should disappear as a separate unit, the Prime Minister has put forward as the ideal for the future "the co-operation of the British fleet and the Dominion fleets as one united whole, while preserving and maintaining their separate identity." The stationing of a British fleet at Singapore would of course greatly simplify the problem of co-operation with the Australian navy. But the base will take ten years to complete, and every year that the Australian navy forgoes the experience of fleet exercises in conjunction with units of the British navy must witness a marked decrease in its efficiency. It is possible therefore

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that the Ministry will adopt the practice of interchanging ships of the Australian fleet with similar ships of the British navy. The adoption of this policy has frequently been urged in Australia, not only for the purpose of increasing the efficiency of the Australian navy but also with a view to increasing the attractions of the service for Australians.

### II. THE POLITICAL LABOUR CONFERENCE IN NEW SOUTH WALES

**D**URING the past six months a rift appeared within the New South Wales branch of the Australian Labour party (A.L.P.) which steadily widened until it threatened the existence of the whole organisation, and brought about the intervention of the federal executive of the party. This rift was occasioned by no question of principle or policy. It was merely one of those personal difficulties that continually arise within all sorts of organisations, and it is noticed here only because of the light it throws upon the evolution of the working class parties and on the machinery of the Labour movement, and because of the widespread attention it attracted in New South Wales.

In March, 1922, *THE ROUND TABLE*\* contained an article under the heading of "The Brisbane Conference," which endeavoured to set forth the relations between the various industrial and proletarian groups in Australia at that time. Attention was drawn to the widespread influence of the Australian Workers' Union (A.W.U.) in the councils of Labour in Australia, while the rise of the One Big Union organisation as the industrial expression of the more radical working class parties was noticed. Briefly the position was (and still is, to some extent) that the A.W.U. and the craft unions generally are the industrial reflexes

\* *THE ROUND TABLE*, No. 46, March, 1922, p. 409.

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of the right wing of the Australian Labour party in the political world; while the O.B.U.,\* supported by the radical coal miners, poses as the industrial reflex of the left wing. Outside the political parties stood the Communists, at first haughtily indifferent to the ways of the politicians, but latterly inclined by the example of Russia and the exhortations of Lenin, to descend into the arena of practical politics and join in the scuffle upon the steps of the parliamentary temple.

The political Labour movement in each State is governed, in theory, by the annual political Labour conference at which an executive is elected which practically rules the destinies of the party until the next conference. It scrutinises and endorses nominations for parliamentary elections, accepts the affiliations of local Labour leagues and unions, and generally controls the movement. But there has always been a vague no-man's-land of disputed authority between the executive and the Labour caucus—the body composed of the Labour members of Parliament in the State. This caucus has its own leader and executive and secretary and has generally dealt with the parliamentary side of Labour policy unhindered. But Labour members of Parliament are not eligible as members of the executive of the A.L.P. and must resign therefrom when they submit themselves as candidates for Parliament. In the early days of the movement, it was felt that the parliamentarians of the caucus were too close to the realities of the political situation to be subjected to the dictation of an inexperienced body outside Parliament like the executive of the A.L.P. But there has not been lacking in New South Wales a distrust of the never-ending audacity of the persons elected to represent Labour in Parliament, and recent years have seen a gradual encroachment upon the privileges of the parliamentarians by the executive as representing the rank and file of the movement.

The executive elected at the Labour conference in New

\* *i.e.*, The One Big Union.

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South Wales in 1922 has tended to enlarge this encroachment. Early in its year of office, it sharply rapped over the knuckles the federal parliamentary Labour leader, Mr. Charlton, his colleague the Labour leader in the Senate, Mr. Gardiner, and the N.S.W. State party leader and ex-Premier, Mr. Dooley, because they had issued a joint circular to the Labour leagues and unions in New South Wales exhorting them to strengthen and cleanse the Labour movement. The occasion of the circular appears to have been widespread accusations of corruption among Labour organisations in the pre-selection ballots for the federal elections. After this it was common talk that relations between the executive and the majority of the parliamentarians were strained. Finally the executive expelled Mr. Dooley from the movement. He had been charged with being privy to the appointment of a non-Labour man to the N.S.W. Upper House during the term of the previous Parliament. In the course of the dispute the matter had leaked into the public press, in which Mr. Dooley had made a vigorous attack upon the executive, accusing it of being "dominated by uncouth crooks." The executive replied to this criticism by declaring that Mr. Dooley's defiance "automatically placed him outside the Labour movement," and that he was therefore no longer leader of the N.S.W. Parliamentary Labour party. The expulsion of Mr. Dooley bereft the caucus of its chief. Twenty-three members, regardless of executive thunderbolts, re-elected their leader. The minority of the caucus came to heel and elected Mr. Gregory McGirr—a picturesque politician of the declamatory order—who was nominated to them by the A.L.P. executive. Further rebuked, the followers of Mr. Dooley remained recalcitrant, relying upon the verdict of the next conference to which their leader had appealed. Nothing daunted, the executive completed the holocaust and expelled the defiant twenty-three.

The excommunications of the executive could not, of

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course, affect the legal standing of these parliamentarians. They still remained members of the N.S.W. Parliament. The situation had excited widespread public interest and not a little derisive comment from the opponents of Labour. Since Mr. Dooley and the parliamentarians had appealed to Caesar in the shape of the annual conference, the executive determined to render the appeal innocuous by endeavouring to create a Caesar after its own heart. With this end in view it declared the whole matter *sub judice*, refused to allow comment of any kind upon it, and began to expel and disfranchise all local branches who dared to question its authority to rule the parliamentarians. The situation became positively Gilbertian. Refractory leagues were reconstructed in order to gerrymander the elections of delegates to the conference, which now became all-important. At this stage the federal executive of the A.L.P. stepped in on the ground that the whole Labour movement in New South Wales would be destroyed unless a representative conference were assured. The federal officers steadily refused to pass any judgment on the matters in dispute, but finally persuaded the N.S.W. executive, under threat of convening an independent conference by federal authority, to agree that, for the purposes of election to the conference, all local leagues and unions should be constituted on a pre-dispute basis.

Meanwhile the executive, apparently afraid of the turmoil it had roused, and not uninfluenced by the steady opposition of a minority of eight of its own members, began to make advances to what are generally known as the industrialists, that is, the party among the workers which stands for the control of the Labour movement by the trade unions, organised upon an industrial and not a political basis. With this end in view the executive called a conference of trade unionists in April last to discuss the future policy of the movement. Nothing could be accomplished at this gathering beyond passing several resolutions, which will have to be noticed later as they form the subject of important



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discussions at the annual conference. It was significant to find the executive pressing a prominent trade union leader like Mr. A. C. Willis, to bring his followers into the A.L.P. fold, from which he had been expelled as a militant by the moderates of 1919, with the connivance of many of those who now sought his return. It must not be overlooked that these industrialists are not all of one social creed. Some are guild socialists, some are merely "one big unionists," while some are declared Communists, in affiliation with the Third International. The most powerful body among them is probably the Coal Miners' Federation, which had already enrolled within the One Big Union. Of this Federation Mr. Willis is the acknowledged leader.

When the annual conference assembled it was obvious that not all the industrialists had listened to the voice of the charmer. The Communists and the majority executive had evidently pledged each other their support, while the minority executive were supported by the friends of the politicians and, to the surprise of most people, by the miners. Also there was a floating mass of suburban and country delegates who were not tied to either party in the dispute, but who were anxious to hear both sides and to endeavour to straighten the tangle. The tussle came over the adoption of the majority report of the executive. The dissentient eight members had prepared a minority report which practically condemned the whole policy and acts of the majority. After a long and bitter debate, in which the most extreme lefts of the conference supported the old executive, the minority report was adopted by a crushing majority. Incidental to this, a resolution reinstating Mr. Dooley was carried by 180 votes to 79. It was evident that the conference as assembled was thoroughly distrustful of the executive's sincerity, and deeply suspicious of its inactivity in the face of the grave charges of corruption that had been made in connection with the conduct of pre-selection ballots. The repeated exhortations of the whole press to "clean up the movement" had impressed the

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delegates, and the elections, which followed the adoption of the minority report, resulted in a complete *débâcle* of the old executive.

Any attempt to sum up the results of the conference in order to find where Labour in New South Wales stands to-day, is extraordinarily difficult because of the many cross currents of opinion and policy that exist within the movement. While the old executive has been defeated, its new-found allies—the Communists—have won several seats on the new executive. On the other hand the miners, the erstwhile allies of the Communists, in the One Big Union agitation, have secured the election (among others) of their leader—Mr. A. C. Willis—as president of the whole Labour movement in New South Wales for the next twelve months. Truly an achievement for a man who was expelled as a disruptive extremist four years ago! With the leaders of the miners and of the Communists upon the new governing body it must be regarded as being more radical than its predecessors, especially as these leaders are definitely the protagonists of the New Objective which was adopted at Brisbane in 1921 and which this N.S.W. conference formally endorsed as part of its platform.\*

Moreover, towards the end of the conference another matter arose which indicated a change of front on the part of Labour in New South Wales. At the All Trades Union Conference of Australian trade unions held in Melbourne in June, 1921, a recommendation was carried that the A.L.P. should admit to its membership other parties who were fighting working class battles. Hitherto the A.L.P. had jealously refused to accept any divided allegiance among its members and would not affiliate the various Socialist and Communist organisations which make up the left wing of the Labour movement in Australia.† The recommendation from Melbourne was half-heartedly endorsed by the Brisbane conference of the A.L.P. in

\* THE ROUND TABLE, No. 46, March, 1922, p. 412.

† *Ibid.*, p. 409

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October, 1921, but it was further recommended at the conference of industrialists which, as already mentioned, was called by the N.S.W. executive in April of this year. This matter was introduced in the recent conference by a prominent Communist with the object of altering the constitution to allow the recommendation to take effect. The chairman ruled that it could only be discussed as a matter of principle and could not be regarded as a motion altering the constitution, as requisite notice had not been given. The matter was keenly debated, the parliamentarians and country delegates opposing the admission of the Communists to the A.L.P. while they remained a separate party. After a division had revealed 122 for and 122 against the motion, the chairman gave a casting vote in favour of it. As the matter now stands, the proposal to affiliate the Communist party and other outside working class organisations to the A.L.P. is to be submitted to next annual conference. The present conference, according to its chairman, "has merely expressed an opinion upon the principle." On the other hand, declared Communists were present at this conference (and some of them were elected to the executive), though only as delegates of trade unions and affiliated Labour bodies, not as delegates of the Communist party. On the whole it would seem that the policy of permeation of reactionary trade unionism and hesitant Labour politics by the energetic disciples of the Third International, which has been advocated from Russia, is bearing fruit.

But several considerations forbid one to assume lightly that Labour in New South Wales has started down the path of extreme Communism because it has ranged itself for the time being behind leaders of a more radical type than formerly. For Labour, or any really vital movement, is continually in the process of moving onwards in policy and in the personnel of its leaders. The radicals of yesterday are the moderates of to-day. Moreover the rule of Mr. Willis will be tempered by the presence of several of

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last year's minority executive and several new members who are certainly "moderates." In fact the moderate section far outnumbers the so-called extremists or "Reds." Already this has been revealed by the personnel of the several sub-committees which the new executive has appointed. On no one of them has a Communist secured a seat. There is, too, a strong element among the country Labour leagues which is averse from spectacular experiments on the Moscow model, and which bluntly said as much to the conference.

Finally, the question of ultimate control as between the executive and the parliamentary caucus of the party has not been settled. Two resolutions passed at the April conference of trade unions advocated supreme executive control and group election of the executive of the party. The latter recommendation was shelved by the conference, the former has not been specifically endorsed. Mr. Willis professes to believe in direct executive control; but what will the Labour parliamentarians say to this? The political machinery evolved by Labour in this country is responsible for many dilemmas, and here is a fresh one. The Labour M.P. was always regarded as being responsible for his vote and actions, not to his constituents, but to the Labour caucus consisting of all the members of the party in Parliament. But was the caucus itself independent? For a while it was, for the reasons above noted, but in 1915 and 1916 Mr. Holman—the Labour premier—found quite definitely that conference regarded caucus as responsible to it. We have recently seen the executive elected by conference claiming this supervisory power over caucus and the parliamentarians stoutly resisting the claim and themselves appealing to conference against its own executive, a proceeding for which the constitution of the A.L.P. makes provision. Rule 33 of the A.L.P. constitution endeavours to be quite definite upon this matter. It reads: "The executive between conferences has plenary powers to deal with all

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matters of policy . . . . but any member of the A.L.P. shall have the right of appeal to the conference next following from any executive edict." It was under this rule that the old executive expelled Mr. Dooley, and it was under this rule that the parliamentarians sought a stay of the executive proceedings. When the matter of executive control was brought up, towards the end of conference, the chairman, who had already declared for "full executive control" maintained that this was already provided by Rule 33. Being pressed to define the implications of the word "policy," especially with regard to the election of the leader of the parliamentary Labour party, Mr. Willis ruled that the rule would have to be interpreted "with due regard to existing constitutional rights of other sections of the movement." The conference thereupon passed a motion to the effect that the incoming executive should take into consideration this ruling. This ruling can hardly be said to have cleared up the situation. What are to be considered as "the existing constitutional rights of other sections of the movement"? Has the caucus constitutional warrant to elect its own leader, and make its own tactical dispositions? The old executive maintained that it had not. The conference did not offer any opinion on the matter. Obviously this conference has not, as far as one can see, expressly delegated its power of overseeing caucus to the executive it has just elected, and the matter stands just where it did before. If the conference is the source of authority, does it clothe the executive with full powers to meet any situation that may arise before the next conference, or is the executive merely a delegate of conference, and responsible to it much in the same way as the caucus seems to be? This is the dilemma which Mr. Willis was clear-sighted enough to see and in consequence of which he originally declared for full control being given to the executive between conferences. But later on, when he became chairman and had to face the responsibility of following his declaration with action, he

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apparently dodged the issue. The problem was not squarely faced at the conference just finished and it will have to be worked out between executive and caucus. But it is to be hoped that, under the new régime, its consideration will be undertaken dispassionately and not in a fog of recriminations, accusations, and personalities, such as accompanied its discussion in the earlier part of this year.

### III. THE QUEENSLAND ELECTIONS

THE Queensland elections of 1923 have resulted in another definite victory for Labour, which takes up the reins of government in that State for the third successive time. General opinion, as reflected in the Australian press, seemed to be confident of a Labour defeat, the failure of Labour in the recent Federal and Municipal elections in Queensland being quoted as presaging the fall of that party in State politics. Only the few Labour papers in this country professed confidence in the result.

The Premier, Mr. Theodore, has come back with a majority increased from two to fourteen. Labour holds 43 seats, the United party 16 seats, and the Country party has 13 representatives in Parliament. There have been accusations of gerrymandering by the party in office, and these accusations have been denied. It is difficult to pass opinions on these matters without having the complete electoral figures available.

Mr. Theodore certainly confounded his critics by the support his party received in country constituencies, the Labour gains being largely in the rural seats. Yet this is not surprising in view of the very attractive rural policy he advocated. It is based on the idea of developing the country by means of co-operative associations of men on the land with the advice and the financial backing of the Government. Its ready acceptance by the farmers would

## The Queensland Elections

seem to suggest that the time is ripe for a general extension of rural co-operation in Australia.

No doubt the victory of Labour is, in part, due to the disunion of the forces which opposed it at the polls. It is also due, to some extent, to the lack of any really constructive and attractive policy among its opponents. And it is certainly due in large part to the striking personality of Mr. Theodore. The Queensland Labour leader is at the moment perhaps the most acute political tactician in Australia. But he is more than this. He is a man of wide sympathies and he is an enthusiast for his reforms. He has something of that faculty for thinking in terms of the Commonwealth rather than merely of his State, which touches the imagination of Australians. Moreover, Mr. Theodore is a tireless worker and a good disciplinarian. His determined handling of the reduction of the Civil Service pay roll in the face of the opposition of his party stamped him as a strong man. It is not surprising that many have hailed him as the next Federal Labour leader, especially in view of the unimaginative leadership of that party since Mr. Hughes's day. But, up to the present, Mr. Theodore has not admitted that his ambitions extend to the Federal sphere. In truth he has a task worthy of his capacity in the governing and financing of Queensland. And as he begins his third term of office as Premier with an increased majority and an undiminished prestige, it is not wonderful that he does not hanker after the rather thankless post of leader of His Majesty's Federal Opposition.

Australia. June 22, 1923.



## SOUTH AFRICA

### I. THE POLITICAL SITUATION AND PARTY DEVELOPMENTS

THE parliamentary session which began on January 19 ended on June 23. The Government has successfully weathered all storms, has succeeded in placing some useful legislation on the statute book, and has made a determined effort to balance revenue and expenditure by judicious measures of retrenchment and to wrestle with the difficulties of the economic situation. The gold mining industry is on a much more secure basis as the result of the reforms effected after last year's strike\*: notwithstanding the reduction of the premium on gold almost to vanishing point, the low grade mines have escaped the wholesale disaster which threatened them, and most of them can now face the future with increasing confidence; the diamond market is reviving, and sheep farmers have benefited by the rise in the price of wool. But though there are these hopeful features in the economic situation, trade is still bad, there is serious unemployment among Europeans, and farmers are complaining of great difficulty in disposing of their products at remunerative prices. As long as the depression continues no Government which attempts to do its duty, and resists the temptation to shirk difficulties and to seek short cuts to prosperity, can hope for popularity. Economy is applauded in theory, but every actual measure of retrenchment is denounced by Opposition speakers as

\* Average working costs per ton of ore milled on the gold mines of the Rand have been reduced from over 25s. (pre-strike figure) to 20s.

## The Political Situation & Party Developments

done at the wrong time, or in the wrong place, and as affording a fresh proof of the Government's incompetence, hardness of heart, and subservience to capitalist interests ; and such denunciations, and the preaching of quack remedies for economic ills, find ready acceptance with electors who have long been feeling the pinch of bad times. While the results of the session may fairly be regarded as satisfactory from the Government point of view, the political horizon is, therefore, still darkened by lowering clouds which threaten defeat to the South African Party at the next election, unless conditions greatly improve before that ordeal comes.

The political situation at the opening of the session has already been sketched in *THE ROUND TABLE*.\* The Government's working majority in the Assembly over all other parties combined then stood at 12.† It has since been reduced to 10 as the result of the loss of a South African Party seat to the Nationalists at a by-election at Oudtshoorn, an agricultural division of the Cape Province. The defection of the South African Party member for one of the Rand divisions, who crossed the floor owing to dissent from the Government's retrenchment proposals (which involve gradual reduction in the scales of salaries of railway and civil servants), and has since resigned his seat with the declared intention of seeking re-election as an Independent, now threatens to reduce it to eight. On the other hand new heart has been put into the South African Party by the recent success of their nominee in a by-election

\* *THE ROUND TABLE*, No. 50, March, 1923, p. 422.

† The actual strength of the parties then stood as follows :—

South African Party	..	..	..	..	..	74
Nationalists	..	..	..	..	..	46
Labour	..	..	..	..	..	13
Constitutional Democrat	..	..	..	..	..	1
					—	60

These figures show a South African Party majority of 14. The figure 12 is arrived at, as representing the working majority, by deducting the votes of the Speaker and the Chairman of Committees, who are both South African Party members.

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at Uitenhage, another division in the Cape Province, which, owing to the presence of a large railway vote, was a specially unfavourable terrain for the Government at a time when proposals for reduction of railway servants' remuneration were actually before Parliament. This contest gained an added interest because it was the first test of strength between the Government and Opposition parties subsequent to the formal declaration of a Nationalist-Labour Alliance for electioneering purposes, which was the most notable party development of the session just ended.

The March article referred to the manner in which the Nationalist and Labour parties were drawing together for the purpose of more effective co-operation in ousting the Smuts Government, and described the attempts which were being made by some of the leaders to facilitate this process by relegating to the background of ultimate ideals the two features of their respective programmes, "secession" or "republicanism" in the one case, "socialism" in the other, which repelled the rank and file of the would-be allies, and formed the chief obstacles to successful co-operation. Immediately the session opened General Hertzog gave notice of a motion of "No confidence" in the Smuts Government, and the debate on this motion, which occupied the first week of the session, gave the two Opposition parties their first opportunity of combining in a formal attempt to oust the Government from office. If they could agree in nothing else they could at least agree in denouncing the Government once more for its failure to avoid the industrial crisis of last year, for its attitude during that crisis, for the measures taken to suppress the rebellion and to punish the offenders, and for its responsibility for the period of depression which has ensued. General Hertzog, in opening the attack, did not confine himself to the record of the present Government but reviewed the sins of previous South African Party Governments which had held office since the end of 1912, the fatal date when he himself was ejected from General

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Botha's cabinet. There was therefore a good deal of raking in the ashes of the past which, though not strictly relevant to the occasion, helped to cover the absence of any attempt to outline the policy to be pursued by the Government, dependent on Nationalist and Labour votes, which would, presumably, have been called on to take office if the motion had been carried. The debate was remarkable for the bitter attacks made by members of the Nationalist party on the memory of General Botha, based more especially on quotations culled from Jameson's letters, included in Colvin's recently published biography, written during the period of the National Convention and the months which followed when Botha and Jameson were discussing the possibility of combining to form a "Best Man Government." One Nationalist member even went so far as to describe General Botha as a "Judas" and a "traitor . . . . to his own people" (that is, the Dutch people), and General Hertzog himself practically endorsed this accusation, which naturally aroused great resentment among members of the South African Party, both Dutch and English. The No-confidence motion was eventually rejected by a majority of 14 votes, a figure which, owing to the absence of some Opposition members, slightly exceeded the normal Government majority.

The pitched battle thus fought and won at the beginning of the session helped the Government and the South African Party by clearing the air, and by emphasising the ill-assorted character of the opposing combination, and their utter lack of any common constructive policy. The two Opposition parties continued to act together spasmodically during the session, but the gulf which divided them was constantly revealed in debate, and often also in the division lists. In the Budget debate, for instance, Nationalist and Labour speakers adopted lines of criticism which were not merely divergent but contradictory. While the Nationalists attacked the Government for its extravagance, and denounced existing taxation as excessive, except

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in the case of the mining industry, whose burdens they were eager to increase, Labour indicted the Government for parsimony, unjustifiable retrenchment, and the inadequacy of its measures for the relief of unemployment, and was prepared to recommend taxation measures, including heavier death duties and a land tax, both most uncomfortable suggestions for Nationalist landowners, by which, as they alleged, several additional millions could be secured for the Treasury. As Mr. Burton (Minister of Finance) complained, while one of the allies blamed him as a "terrible spendthrift," he was pilloried by the other as a "miserable miser." The reputed alliance between parties which spoke with such discordant voices became a stock subject for ridicule and bantering enquiry by Government speakers, and natural curiosity as to the terms of the supposed treaty between them was further stimulated by platform speeches delivered by General Hertzog in the Easter recess, in which he admitted that, in the event of being called upon to form a Government, he would probably have to invite Labour members to join his Cabinet. The actual terms of the alliance entered into between the two parties were finally revealed to the world by the publication on April 21 of a formal letter addressed by Colonel Creswell to General Hertzog and the latter's reply. Colonel Creswell began his letter by saying that, as any co-operation between the two parties was certain to be made the subject of hostile propaganda by the South African Party and its Press, he suggested it would be as well to put on record the actual facts of the position. He then proceeded to summarise as follows the results of certain conversations which had taken place "informally and without prejudice" between himself and General Hertzog :—

1. We found ourselves broadly in agreement in our view that the present Government acts as though dominated by the conviction that the interests of this country are best served by its taking what may be termed the "big finance" view of our various internal and economic problems, that its policy is not only injuring the present

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welfare of the country, but is seriously jeopardising our destiny as a civilised people; and that the necessity to combat this trend of policy, which has been growing continuously more pronounced in recent years, is largely the cause of the common opposition of our two parties to the present Government and the party supporting it.

2. We next examined whether there was any legitimate basis upon which we could recommend co-operation between our two parties, at all events so far as elections were concerned. It is clearly undesirable, if it can be avoided, to facilitate the election of Government candidates on a minority vote by splitting in three-cornered contests the votes of those opposed to the Government's policy.

3. The most obvious difficulty in the way of any such co-operation being effective is the fact that, quite irrespective of the real views and intentions of yourself and your party, the South African Party propaganda has inoculated numbers of the English-speaking section of the people in many parts of the country with the belief that if your party achieved power you would at once set about trying to cut the painter and establish a republic—the old secession bogey, in fact, of the 1921 election. In a lesser degree possibly, a few dwellers in the country districts have been induced to believe that the Labour party is a Bolshevik group, whose dearest wish is to decapitate or otherwise maltreat all owners of any property, or some such absurdity.

As the former point was so successfully drummed into the public mind at the last election, it is the more practically important to dispose of. Leaving aside the fact that, in common with the big bulk of Labour supporters, I am, as you know, unalterably opposed to any "cutting the painter," I pointed out that this is a matter upon which the great majority of English-speaking South Africans are very sensitive, and that an essential condition of any such election co-operation being effective was an explicit declaration on your side to reassure them that their votes at the next general election would not be used contrary to their desires in this matter.

In this regard you said that while no member of your party could be expected, any more than any member of the Labour party, to renounce his freedom to express, inside or outside of Parliament, any views he may hold on this or any other matter, you were able to give this explicit undertaking to electors at the next general election, viz., that in the Parliament which will then be elected, should a Nationalist Government come into power, no Nationalist member of Parliament will use his vote to upset the existing constitutional relation of South Africa to the British Crown. We agreed that under these circumstances we could quite properly recommend to our respective parties election co-operation on the lines indicated in paragraph 2 of this letter.



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Indeed, the fact of such co-operation would be itself an earnest of our sense of the urgent need that the next Parliament should devote itself single-mindedly to domestic measures required to promote the prosperity of the country upon lines more congenial to its people than those at present followed.

4. Pursuing our discussions, we recognised that the logic of facts would compel the taking up of measures which both parties would probably, in principle, support. But we also recognised quite fully the great difference which to-day exists between our two parties, not only of political outlook, but also probably in the racial and other prejudices which influence large numbers of the habitual party supporters, and we were agreed that in any election co-operation which may take place in any constituency it should be understood that the candidate of whichever party, if elected, would owe allegiance to his own party and no other, and that any votes given to him by supporters of the other party should be given on this clear understanding.

The letter concludes with a request to General Hertzog to confirm this summary and the suggestion that the correspondence should then be published in the Press. General Hertzog replied in a short note a week later, in which, after approving the proposal that a statement should be published, he continued, "I have carefully considered the statement submitted by you, and as it truly sums up the substance of our conversations, I have nothing further to add except to give it my full confirmation, which I hereby do."

It is noticeable that Colonel Creswell's letter, while setting out General Hertzog's pledge on the republican issue, says nothing as to any pledge given in return by Labour. Perhaps it is considered that Labour has paid "cash down" by the amendment of its programme, designed to lessen the aggressive appearance of the party's socialist aims already referred to in *THE ROUND TABLE*.<sup>\*</sup> The compact between the two parties was tersely summed up by Mr. Burton as an exchange of pledges, in which the Nationalists promised the Labour party "we will not steal your Flag for five years"; and the Labour party promised the Nation-

<sup>\*</sup> *THE ROUND TABLE*, No. 50, March, 1923, p. 424.



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alists "we will not steal your land for five years." This epigrammatic summary represents, of course, a South African Party view of the deal, but is probably not far from reflecting the true inwardness of the transaction as intended to affect the minds of the rank and file of the respective parties whose anxieties their two leaders desired to allay. It is, in any case, clear that General Hertzog's negative undertaking on the subject of secession, even taken at its full face value and in the light of the setting supplied by Colonel Creswell's comments, does not form any adequate foundation for co-operation between the two parties once the immediate object of the alliance, the defeat of General Smuts' Government, has been achieved. But, notwithstanding its obvious limitations and weaknesses, the compact may, if loyally adhered to, prove effective for its immediate purpose of securing the defeat of South African Party candidates. The Provincial Council elections, which are due to take place in all four provinces within the next few months, will provide a good opportunity for a preliminary test of its value.

### II. THE PROVINCIAL EXPERIMENT

THE British Commonwealth, having members in every one of the five continents, each facing its own problems in its own peculiar circumstances, each feeling more and more its responsibility for its own destiny, yet all alike animated by the spirit of free government, and all conscious of a unity of outlook which is even more deeply felt than widely talked about, affords unique opportunities for carrying out political and social experiments.

But there is one experiment that will probably not be repeated in any part of the Commonwealth, and that is the experiment in provincial government which has been made in South Africa since union. An adverse conclusion must be drawn from the experience of thirteen years, even though

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it must be admitted that the experiment was not made under those conditions of free choice and mastery of the operative forces which are present in the case of a really scientific test. A glance at the history of the trial will show that the plan was adopted rather as a temporary expedient, a *pis aller*, than with any hope of its proving permanent.

From a political point of view the thread which holds South African history together is the idea of federation, since Saul Solomon, first of all South African politicians, advocated it in 1853, and Sir George Grey arrived in the following year to repeat, if possible, in South Africa the triumphs of his New Zealand federal policy. Federation was the basis of the policy of Lord Carnarvon and Bartle Frere in the 'seventies, of the railway and customs union advocated by Brand, Rhodes and Hofmeyr in the later 'eighties and throughout the 'nineties. In so far as Lord Milner had any definite policy in this regard between 1897 and 1905, federation was its ruling idea, federation if possible from within, but if not, from without. With the revival of popular government in South Africa in 1906 the idea of federation from within stirred once more. Yet the National Convention of 1908-9 achieved, not federation, but union.

Prior to the assembling of that convention, federation rather than union had held the field, not only in South Africa but in other parts of the world. With the sole large exception of Italy, federation had been the method by which the great modern aggregate States had been formed in Europe, America and Australia. Home Rule for Ireland meant to many the introduction of federalism into the United Kingdom. In South Africa, Natal and probably the Free State, as small communities, might be expected to favour a loose constitution in which their identity would be preserved. In the Cape two weighty bodies of opinion, marshalled respectively by Hofmeyr and Schreiner, at once unfurled the federal standard. In the Transvaal, the High

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Commissioner and even Botha and Smuts, though favouring the closest form of union possible, did not feel able to advocate more than an essentially federal constitution which might gradually be transformed into a truly unitary constitution.

The insistence on union at all costs came mainly from the South. Merriman had served his ministerial apprenticeship long ago in the first Cape responsible ministry, and the ultimate aim of that cabinet had been union by the absorption of the outlying territories by the parent colony. That was now out of the question ; nevertheless he pressed for union rather than federation. Steyn also, of the Free State, was so convinced of the necessity of union, in view of the storm brewing in Central Europe, that he even voted against the establishment of Provincial Councils. De Villiers, too, the President of the Convention, had, in the middle of 1908, visited Canada and seen federation at work. He came back determined to have as little as possible of it in South Africa. He threw his weight, a weight much greater than some have hitherto allowed, on the side of union.

The main issue was decided in the first week of the Convention. Merriman moved in favour of a unitary constitution, Morcom of Natal in favour of a federation. Merriman won. Henceforward the Natal delegates fought doggedly to increase the powers which were to be allocated to these provincial authorities ; but opinion in the Convention and in the country moved steadily against them. At one stage the Natal delegates went so far as to threaten to withdraw from the Convention, and threats of economic pressure by the Transvaal, which was making its own terms with the Portuguese at Delagoa Bay, were necessary to keep them in their seats.

The South Africa Act of 1909 therefore embodied a unitary constitution. It contained many federal features, but those who drew it up left no room for doubt that the Union Parliament and Executive were to be supreme

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over the provincial authorities. Some delegation of powers by the central Government was necessary if union was to be effected and to prove workable when achieved. But the provincial system actually adopted was admittedly an experiment and was not intended to be permanent. "It was hoped," wrote Sir Edgar Walton,\* "that by eventually splitting up the provinces into smaller areas we should arrive at some general system as the model adopted by the Cape," that is, Divisional Councils.

In the Cape alone real local government existed outside the municipalities at the time of union. Divisional Councils, like the English County Councils, raised a large proportion of the money which they spent on local purposes. Since union the weight of the provincial system has tended to crush the life out of this healthy localism and to prevent its extension to other parts of the Union. At the same time, opponents of the provincial system, and they are many, hold that it fails to provide genuine local government. The provinces are too small to be national, in most cases too large to be local. The Cape province alone covers 277,000 square miles, that is, twice the area of Great Britain and Ireland, the Transvaal 110,000, the Orange Free State 50,000, Natal 35,000. So anomalous was the position in 1908 that a strenuous effort was made by the Transvaalers to split up the old Cape Colony, which was and is the unfinished torso of a unified South Africa; but, as the proposal was to give each portion less than its due share of representation, it was successfully resisted.

Union, then, was, as it were, snatched and held by a community which, for two generations past, had looked for nothing more than a loose federation. It was held at the price of the provincial experiment. The experiment has failed politically and financially, and, though the two aspects are intimately related, they can be discussed separately.

The political failure can be summed up in a sentence.

\* *The Inner History of the National Convention of South Africa*, p. 288.

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The system has given us all the evils of party government with none of its advantages.

1. The executive head is the Administrator, an official appointed by the Union Government for five years, paid by the Union and irremovable by any vote of the Provincial Council. He is neither permanent official nor responsible Minister, unofficial chairman nor elected representative. He is not even a member of his own Council. Experience has shown that where he is weak he counts for little against the other limbs of the provincial Leviathan ; where, as in the Cape, he is strong, he counts for everything.

2. The Administrator acts with and through an Executive Committee of four members elected by the Provincial Council by proportional voting. The intention of this rule was to discourage party government, to render unnecessary provision for special appeals to the electors by means of a dissolution, and to prevent the executives behaving like little parliamentary cabinets. Its effect has been to substitute for the solid responsibility of a single party, forced to stand or fall by a public vote in the legislature, a private give-and-take behind the scenes at the meetings of a composite executive. Discussions in council sometimes throw light on what is going on ; odd rays of light are sometimes brought to bear from other quarters ; but the general effect on the electors is a sense of insecurity, mistrust and a feeling of impotence in respect of public control.

3. The Provincial Councils are elected for three years and expire by effluxion of time. The constituencies are, except in the two smaller provinces, the same as those for the Union lower House ; hence the party organisation which manages the one also manages the other, and the same general aims and ideas are operative in both cases. Membership of a Provincial Council is more and more regarded as an apprenticeship for the wider sphere of Parliament. Moreover, the fact that senators are elected at a joint sitting of Provincial Councillors and Members of

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Parliament for the Province tends to strengthen the identity of party interests in the two bodies.

4. The Councils' powers of legislation and taxation are strictly limited. Of the duties entrusted to their care "education other than higher" is far and away the most important. Were that taken away, the work remaining would not be sufficient to warrant their continued existence. None the less, the Councils have, from the first, conducted their business on parliamentary lines, though party cleavages have been more marked amid the diversities of the Cape and the Transvaal than in the comparative homogeneity of Natal and the Free State. The procedure of legislation is much the same as in Parliament and there is the usual apparatus of caucus, party whips, speeches and manœuvres. The main difference is that the executive does not retire after an adverse vote, but usually patches up an arrangement by private negotiation, often, indeed, invoking the aid of the Union Government, which, to do it justice, does not willingly intervene in the parochial squabbles of the provinces.

5. But just as we have the forms and vices of party government with none of its advantages, so we have some of the forms and some of the vices of local government with few, if any, of *its* advantages. For the provincial system does not supply real local government. The very provinces where it might acquire such a character are just those where the federal, as opposed to the union, spirit is strongest, namely, Natal and the Free State. The Cape and the Transvaal are too big and complex to be ruled on local government lines by a single body. A strong Commission did indeed, in 1917, propose the formation of large Divisional Councils, seven in the Cape, four in the Transvaal, two in the Free State and one in Natal, as units of local Government in place of the Provincial Councils. The Union authorities were to have taken on the training of teachers of all kinds and to find 80 per cent. of their salaries. The Divisional Councils were to have been the



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local educational authorities, finding the odd 20 per cent. of the salaries, providing school facilities and appointing the teachers. The rest of their duties, for the successful discharge of which they would draw a grant-in-aid, were to have been those at present entrusted to the Provincial Councils. But they were to have no such legislative powers as are now possessed by the provinces. So far the scheme has come to nothing, but it remains on record as a reasonable alternative to the provincial system which can only be regarded politically as an unclassifiable monstrosity.

6. The financial weaknesses of the present system are discussed below, but here it may be noted that, on the political side, the central feature of parliamentary government is lacking, namely, the responsibility of the executive for meeting the expenses of government by taxes levied through the legislature. Throughout their history, provincial administrations have derived more of their funds from the Union exchequer than from their own provincial resources. Recent years of depression have proved that the ultimate liquidator of provincial deficits is not the provincial taxpayer as such, but the Union Government.

Moreover, readiness to adopt the essential fiscal basis of local government, a tax on real property, is conspicuously lacking in all the provinces outside the towns. One unhappy effect of the financial exigencies to which the provinces have been reduced is the accentuation of the already sharp divergence of fiscal interests as between the towns and the rural areas. The groaning townsman seeks relief through a tax on land, and the harassed farmer, worried by breaking prices and poor seasons, strives to shift the load on to the shoulders of the merchant and the mineowner. In so far as this division avoids the ancient racial cleavage, it may do some good, but it brings in its train evils of its own, which would still exist but would be far less pernicious if their noxious vapours could be dissipated in the larger air of a single Union financial administration.



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The financial failure of the system has been amply demonstrated by the Report of the Commission, whose terms of reference have already been given in THE ROUND TABLE.\*

The Commission was appointed in September, 1922, as the result of a breakdown in provincial finance which had occurred earlier in the year. Parliament discussed the situation and agreed to a temporary loan of £200,000 each to the Transvaal and the Cape, leaving it to the projected Commission to inquire fully into the financial requirements and resources of the provinces with a view to necessary readjustments.†

The Commission's report was published towards the end of the parliamentary session this year, and its reception by Parliament, Press and public offers a melancholy illustration of the strength of the cleavage we have just referred to, and of its effect in preventing a balanced and disinterested attempt to solve the real difficulties in which we find ourselves. The towns greeted with a shout of relief the prospect of heavy reductions in provincial expenditure and the devising of new and more effective methods of control. At the same time there was still a disposition in some quarters, less marked this year than in the crisis of last year, to underestimate the importance of provincial services, especially education, and to demand cuts with insufficient regard to the consequences.

From the Nationalists, on the other hand, as claiming to represent the country interests, came the cry that this was a "merchants' report," and they pointed indignantly to its recommendation of a land-tax as a necessary basis for real local government, and to its call for reduced expenditure as a blow at the educational interests of the country people. Thus the whole issue was beclouded at once in the smoke and mists of party strife and sectional self-seeking, and the real merits of the report were not fairly

\* THE ROUND TABLE, No. 50, March, 1923, p. 434.

† *Ibid.*, No. 48, September, 1922, p. 898.

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appreciated. There is little hope that the real problem of government with which we are faced will now be approached in the broad and disinterested spirit which alone can guarantee a solution. We shall have to await further developments and to allow some of the mists and passions of party strife to clear away before we can say that the question is really ripe for settlement. But, as a matter of fact, the report does carry us a long way, for it lays a sure finger on the real financial weaknesses of the system.

The document opens with a recapitulation of the steps which Parliament has taken since union to determine the financial relations of the provinces to the Union Government. The basis is the Financial Relations Act of 1913, amended several times since. The main principle of this Act was to guarantee to the provinces from the Union Government an amount equal to at least *one-half* of their total expenditure. This is the time-honoured "*£ for £* principle" of South Africa's financial history.

The provinces were able to calculate upon certain defined sources of revenue :—

1. Certain fees, licences, etc., with power of legislation thereon.
2. Certain "assigned" revenues—*e.g.*, transfer duty, liquor licences, and (in some cases) native pass fees, but without power of legislation.
3. A subsidy of *one-half* of the annual expenditure of the province, provided it did not exceed that of the previous year by more than 7½ per cent. Any excess above that was recognised for subsidy only at the rate of *one-third*, but there was no limit.

Any expenditure not met from any of these sources was to be met out of "direct taxation," for which alone powers had been given to the provinces by the Act of Union. Special subsidies of £100,000 each were allocated to Natal and the Orange-Free State for reasons connected with the circumstances of union. For a time, longer in some provinces than in others, the Councils were able to meet all their expenses without recourse to their powers of imposing taxation. Thus the total for *all* provinces under this head

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for 1913-14 was only £24,544, and of this £22,260 was raised in the Cape, always more advanced than the other provinces in respect of local taxation. (At this time the Cape had in force also a small local rate for education, and the proceeds of this should be added to the above total.) In the year 1916-17, the total for all provinces reached £210,182, seven or eight times that of the previous year. The Transvaal total rose from nothing at all in the previous year to £124,018, whereas that of the Cape increased only from £25,424 to £31,796, a normal increase, representing no new taxation. But it is from both the Transvaal and the Cape that the pressure has come to bring about a new situation, from the Transvaal because of rapid increase in expenditure; from the Cape, partly for the same reason and partly because of the speedy exhaustion of sources of new taxation that were still open.

In 1917 the first change came. On expenditure for education—the vast bulk of the total—the provinces could now claim full subsidy up to a 15 per cent. increase on the previous year's expenditure. On other expenditure the increase allowed was 5 per cent. But, as before, subsidy at the rate of one-third was allowed on anything in excess of these limits.

The natural result was a tendency on the part of the provincial book-keepers to transfer as much expenditure as they could to education account, and the thick-and-thin critics of educational costs have been presented with somewhat over-weighted argument in consequence. period of boom, however, allowed the system to continue. "Assigned" revenues rose and subsidies accumulated, so that provincial expenditure rose from £4,301,000 in 1916-17 to £9,229,000 in 1921-22, the great bulk of the increase coming from Union funds. When the tide turned, the provinces were committed to a high rate of expenditure, and "assigned" revenues shrank alarmingly. Hence they had to turn to the only source left to them and to find fresh means of taxing their own provincials.

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But the Union Government also was hit and wished to reduce its commitments. In 1921 subsidies were limited to the amount of expenditure of the previous year, with 5 per cent. allowed only on increases on education account. In 1922 came the real crisis and Parliament reduced subsidies to 90 per cent. of that of the previous year, allowing only for recognition of 3 per cent. increase in subsequent years.

Thus the provinces were placed under a double pressure through the shrinkage both of their own revenues, "assigned" and "levied," and of Union subsidy. The Cape Administrator gave up the struggle last year when he failed to carry a sales tax, and accepted a loan of £200,000 from the Union Government wherewith to carry on until a readjustment could be arrived at. The Transvaal experimented with an Employers' Tax\* (aimed, apparently, at the mines), and now has imposed a tax on the gross profits of "financial companies" registered in the Transvaal. The dominant Nationalist-Labour alliance is, however, in difficulties about the allocation of the new burdens as between town and country, and now the Transvaal also has caved in and turned to the Union Government with an appeal for a loan. Natal is less straitened, but we may fairly regard all the provinces now as being in a relation of appeal *ad misericordiam* to the Union Government. The severe test of hard times has proved beyond all doubt what many prophets have foretold, that they had neither the financial prestige nor the necessary sense of responsibility to play the part of semi-sovereign authorities to which some of them had aspired.

The Cape is now left with a deficit of over £400,000, exclusive of a further £600,000 in the shape of accumulated deficits of School Boards. In the Transvaal, though there is a small surplus this year, the shortfall for next

\* The amount collected from the Transvaal Employers' Tax for the year 1922-23 was £172,000, of which £152,000 was from the Witwatersrand area.

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year is estimated at not less than £250,000, and there are deficits in the other provinces too.

Such is the general situation. Now as to the proposals of the Commission.

Its general recommendation is that the £ for £ basis of Union subsidy should be abandoned in principle as it has already been largely abandoned in fact. This basis gives to the Union authorities no control of provincial expenditure, and offers to the provincial authorities a strong inducement to extravagance, and thus throws the main burden in bad times upon authorities who have not really been responsible for the expenditure. England has had a similar experience in its own system of grants to local authorities.

Instead of the central Government accepting responsibility for a definite fraction of an indefinite expenditure, it is proposed by the Commission to divide responsibility on the basis of *services*. That is, that the Union Government, just as it already accepts financial responsibility for the education of natives, shall now accept responsibility for *all* provincial expenditure on education up to a limit fixed on a capitation basis. The rate, as suggested by the Commission, is calculated on the basis of the 1921-22 expenditure, and may be illustrated by the figures proposed for primary and secondary pupils:—

				£	s.	d.	
Cape	..	..	..	14	0	0	per head.
Natal	..	..	..	14	2	2	"
Transvaal	..	..	..	16	15	8	"
Orange Free State	..			15	8	1	"

This is a fairly liberal scale and, with some slight re-adjustments as between province and province, should prove adequate.

The Union subsidy would cover expenditure on education calculated on the capitation basis. All other provincial expenditure on other services or in excess on education

## The Provincial Experiment

would be met out of "assigned" revenues and purely provincial taxation. Thus the provincial taxpayer would know more exactly what he has to pay for and the responsibility of the Administration to the taxpayer, though restricted in its scope, would be more complete and real within the scope still allowed to it.

Whatever may be the fate of the main recommendations of the report, and whatever may be the prospects of its adoption as a whole, Parliament will be compelled next session to take action on at least two of the vital financial issues which are raised :—

(a) It must lay down a revised basis for the payment of Union subsidies.

(b) It must define much more precisely the sources of taxation which may be utilised by Provincial Councils. The Commission itself proposes to allow them as taxes in regard to which they may use their own taxing powers :—liquor licences ; dog, fish and game licences ; motor and wheel taxes ; entertainments tax ; taxes on racing ; immovable property tax ; education fees for other than compulsory education, and hospital fees.

But such action as is possible is being taken now :—

1. The Union Government is arranging loans to provinces, especially the Cape, to liquidate accumulated deficits, interest and sinking fund being chargeable against the province's own revenues.

2. Conferences between the Union Government and the provincial Administrations are to take place with a view to discovering what can be done by the provinces themselves in the first instance to restore financial order and to make a nearer approach to a common system.

3. A single scale of salaries for teachers—one of the main items of provincial expenditure—is to be formulated, and the Union Government will use its authority and influence to have this adopted by the provinces.

4. Most important of all, perhaps, at the moment, is the emphatic statement by the Commission that, so far as

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expenditure upon education is concerned, it is unable to make final and definite recommendations until ultimate questions of policy have been considered. What, for instance, are to be the limits of the State's responsibility? To what ends, up to what levels, and in what forms and types is it to subsidise education? These are questions not primarily of *financial* policy, but of *educational* policy, and the Commission is to be commended for making this so clear, and for avoiding the grave blunder of detaching "economy" from policy. But as the Commission had no powers to consider policy, it recommends that these questions be now taken up by a new Commission, and Government has announced its acceptance of the suggestion. The composition of the new Commission is not yet known; but well-informed and disinterested educational opinion throughout South Africa is convinced that in the interests of national education, some measure of unification is inevitable, and, indeed, overdue.

These are the main immediate results up to date of the appearance of a report which is, in many respects, a model State document, thorough, lucid and logical.

The more distant consequences cannot be foretold. It is quite clear that we must leave the situation to develop for some time yet, before we can deal decisively with our provincial problem. But whether the provincial system disappears altogether or remains in a very much modified form, two things are abundantly clear now, and this report has helped to make them so. They are:—

1. That political institutions which are so constructed as to leave financial responsibility in a medium of uncertainty and cross-purposes cannot possibly last, but may work infinite mischief before they finally collapse.

2. That local government is impossible when a locality (a *real* "locality") is not prepared to assume a large enough share of the financial burden to guarantee stability and a steady check upon extravagance. The growing centralisation of South African State finance is a danger which is not by



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any means appreciated as it should be. Demoralisation of a very serious kind is possible unless a scheme of local government is devised upon a stable basis in local finance. Already the signs of such demoralisation are beginning to appear.

South Africa. July 17, 1923.

## NEW ZEALAND

### I. THE POSITION OF THE GOVERNMENT

AT the time of writing the new Parliament is about to assemble for its first session, leaving out of account the brief session of February whose sole object was to test the state of the parties. It will be remembered that when Mr. Massey met the House in February, his majority of three on the no-confidence motion was secured by the support of three Liberal members whose election pledges had committed them to supporting him on such a division. Since that time the three election petitions which came to a hearing have been disposed of—all in favour of the Reform party. In two cases the sitting members were of the Reform side, and the petitions were dismissed. In the third case, where the Hon. Mr. Lee (Minister of Justice) suffered defeat for Oamaru at the General Election by the narrow margin of fourteen votes, the petition resulted in the voiding of the election. This, together with the lamented death of the Hon. Sir William Herries (Tauranga), gave rise to two by-elections, the public interest in which has probably never been surpassed in the history of by-elections in this country. The first to be decided was that for the Tauranga seat, a rural constituency which had long been a Reform stronghold, and which had returned Sir William Herries in November with the substantial majority of about 1,400. In response to a widely subscribed and pressing invitation from within the electorate itself, Sir Joseph Ward, the former Liberal leader, entered the lists against the official

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Reform candidate, Mr. McMillan, an old resident of the district, but new to political life. Sir Joseph had not been a candidate for any constituency at the General Election, and his reappearance on the political platform after his comparatively long absence excited keen interest throughout the country. There were many considerations which gave rise to the belief, very generally entertained, that in spite of the large Reform majority in November, Sir Joseph would succeed in wresting the seat from the Government. His reputation for finance, coupled with the apparent need for a representative of his calibre, was expected to weigh heavily in his favour. Furthermore, the Liberal gains at the General Election, and the strong support which appeared to be awaiting a Liberal champion, were deemed in many quarters to be evidence of the rising tide of Liberalism which was to sweep all before it. Moreover, many were of opinion that the apparently strong adherence of the Tauranga electors to the Reform party was due to the great personal influence and popularity of Sir William Herries, and that the elimination of that factor would greatly weaken the prospects of the Reform candidate. The issue was obviously a vital one so far as Mr. Massey was concerned, and treating it as a real test of party strength he adopted the unusual course of entering personally into and conducting the campaign, the actual candidate being effectually eclipsed by the ministerial luminaries who filled the political heavens of Tauranga. The position from the outward show was fairly put by the Christchurch *Sun* in its issue of March 27, 1923 (a day prior to the election) as follows :—

One of the most curious features of the contest is the obliteration of Mr. McMillan, the Government representative. Nowadays he is nowhere to be seen or heard—outside the district, at any rate. He “starred” on the bill-boards early in the piece, only to be relegated to the background as the fight warmed up. Mr. Massey has taken the matter out of his candidate’s hands, and, with one or two of his Ministers, is launching and leading offensive after offensive against

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the enemy. . . . Mr. McMillan has not cut a conspicuous figure since Mr. Massey assumed control. From being a "plain, simple" man, he has degenerated into a pawn in the game. This is not entirely his own fault, though it may be his misfortune. The Prime Minister has staked practically his all on winning the seat. It is his political future, not Mr. McMillan's, that is really the issue in Tauranga. If the Government is defeated to-morrow, Mr. Massey's hopes—forlorn ones at best—of being able to carry on without a fusion will be shattered. An adverse poll will mean either a dissolution, or, in the alternative, a working arrangement with the Liberals.

It is safe to say that not even the most sanguine Reform supporter was prepared for the overwhelming majority of 1,100 votes by which Sir Joseph Ward was defeated. At the General Election in November, Sir William Herries, without any great effort, had accounted for a mediocre opponent by 1,400 votes. That the Government was able, against such a redoubtable opponent as Sir Joseph Ward and with a candidate in no way comparable to Sir William Herries, to retain that majority, less some hundred votes, was undoubtedly a notable achievement, and incidentally something of a personal triumph for Mr. Massey; but its significance from the party point of view is not to be overrated. Whilst one may easily pretend to wisdom after the event, it is not difficult to point to substantial factors which made the candidature of the former Liberal leader an ill-judged move from the outset. He could hardly have chosen a more unfavourable battleground. Tauranga lies in the Auckland provincial district, which is the stronghold of the Reform party. It adjoins Mr. Massey's own electorate, and is a rural constituency which for over a quarter of a century was continuously represented by Sir William Herries, one of the great stalwarts of the Reform party. Sir Joseph Ward had always represented a constituency in the southern extremity of the South Island. It is little wonder, therefore, that the people of Tauranga refused to be diverted from the political allegiance to which they had long been habituated.

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Following hard upon the decision at Tauranga came the announcement that the Election Court had declared void the Oamaru election on technical grounds connected with the marking of certain ballot papers. The by-election was contested by the same two candidates as were engaged in the original contest, and resulted in an unmistakable confirmation by the electors of their original choice—the majority of Mr. Macpherson (Liberal) over the Hon. Mr. Lee (Reform) being increased from fourteen to upwards of three hundred. A supreme effort was made by Mr. Massey during the campaign to recover the seat for the Government. Success in that direction meant increasing his majority on a no-confidence motion to five, and in view of his recent experience at Tauranga there appeared to be no reason why a determined effort should not again produce its reward. Again Mr. Massey personally conducted the campaign, spending the whole period which it covered in the Oamaru electorate, and overshadowing the course of events by his strenuous personality. Again the Reform candidate's individuality was merged in the party he represented, and the matter was put plainly to the electors as an issue of confidence or no-confidence in the Government. The *Dunedin Evening Star* commented as follows (April 20, 1923) on that aspect of the matter :—

If any temptation had been felt by the ex-member for the electorate, whose seat makes the prize at issue, to consider this conflict peculiarly his own, he has been quite ready to waive his claim in favour of his leader. The willingness which he has shown to subordinate himself, indeed, for an ex-Minister, has been altogether remarkable. "The fight," he is reported as saying at the first Palmerston meeting, "was not between Mr. Macpherson and him. It did not matter much to the public which one of them was elected. It was the strength of the Government that counted." And the fight, if such it can be called up to this stage, has certainly been treated by him in the spirit of that disavowal. Mr. Lee's part so far has been no more than to precede the Prime Minister at successive meetings, much in the manner in which the heralds or pursuivants-at-arms, who did not fight themselves, preceded the champions in the old tournaments, announcing the grounds of the conflict, wishing them joy of the onset,

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and then retiring to a safe obscurity and leaving them to it. The only complaint made of the explanations of this pursuivant is that they have been too long. He has been over-anxious to disclaim any responsibility of a kind that might be thought unsportsmanlike for the combat which is being waged so much more for him than by him.

Mr. Massey's action in undertaking so much active campaigning in Oamaru was subjected to strong criticism on the part of Opposition journals. His intervention nevertheless did not avail against the sympathetic attitude which the electors were bound to display towards the unseated candidate, having regard to the extremely technical grounds on which the election had been declared void.

The result of Mr. Massey's two strenuous campaigns, therefore, left him in precisely the same position as when he faced the no-confidence motion in February. Provided the three Liberal members who then supported him continue their support on crucial occasions, the Government majority will still stand at three when Parliament meets. In the light of these facts Mr. Massey therefore meets the House with the political barometer indicating unsettled weather. His position is altogether unsatisfactory, as the margin of security is inadequate to meet contingencies, and, as pointed out by the Hon. Mr. Downie Stewart in the debate on the address-in-reply in February, Ministers who possess only a precarious majority necessarily feel at a disadvantage in preparing their policy and legislation. To add to Mr. Massey's difficulties, the Hon. Mr. Guthrie, Minister of Lands and Railways, has been obliged by reason of ill-health and on the very eve of the session to relinquish his portfolios. Mr. Guthrie is the only member of the present Executive who has had experience in leading the House during the Prime Minister's absence, and if Mr. Massey himself leaves for the Imperial Conference prior to the adjournment of Parliament the position will be rendered still more inconvenient.

Whatever vicissitudes may await the Government during the ensuing months, there is a strong feeling abroad that a

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dissolution should be avoided, and that, should Mr. Massey find himself unduly hampered in his legislative programme by the present state of the House, the interests of the country demand some satisfactory working arrangement between the Reform and Liberal parties. The difference between them is mostly in name. On vital matters they stand for substantially the same policy, and it is at least certain that they have interests in common more than sufficient to justify combined action in view of the threatened ascendancy of the Labour party. One of the strong Government organs referred to the position recently in the following terms (*Otago Daily Times*, May 3, 1923):—

We are still of opinion, however, that it should be possible to avoid a premature appeal to the country—which might again produce inconclusive results—and to assist the cause of stable government by fostering a spirit of understanding and co-operation. It is to be feared that the circumstances of the two recent by-election contests may not have tended to improve the prospects of an accommodating arrangement between Reformers and Liberals; but reasonable patriotism on both sides should rise superior to separate influence, old or new, and we should like to see Mr. Massey approaching the question of an entente in a resolute and conciliatory spirit.

### II. THE IMPERIAL AND ECONOMIC CONFERENCES

THE Imperial and Economic Conferences, to be held in London during October, have of late attracted unusual attention in this country. This is no doubt due to the manner in which their importance (particularly from the economic aspect) has been stressed by the British Government, as well as to the pressing nature of the invitation given to Mr. Massey to be present. The feeling of the country is that it is imperative that Mr. Massey should attend the Conferences in person, and in view of that probability (or in any case so as to make arrangements for the adequate representation of New Zealand) Parliament has been summoned to meet in the early part of June,



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instead of at the end of that month, as customary. Should the House decide that Mr. Massey is to attend the Conferences,\* it will be necessary for him to leave at the end of August or the beginning of September, and it is more than likely that a determined effort will be made by him to complete the business of the session before he leaves. In that event the session will be a short one, with little opportunity of discussing the matters likely to come before the Conferences, even should Mr. Massey be desirous of providing such an opportunity. Past experience does not encourage the hope that Parliament will be invited to discuss Imperial problems with the object of affording help and guidance to the Prime Minister. Whilst no one would suggest that he should be sent abroad unduly limited in his powers, or rigidly instructed on matters in which it would be impossible beforehand to form a proper judgment, it should at least be his duty to ascertain in advance the mind of Parliament upon certain subjects where the factors are known with reasonable completeness; for instance, Imperial defence. Parliament might well be asked to make a definite pronouncement of the willingness of New Zealand to discharge its belated duty by assuming a fairer share of the burden now resting heavily on the Mother Country. Such a pronouncement would strengthen the hands of the Prime Minister and at the same time enhance the self-respect of this Dominion. There are other matters on which valuable guidance might be afforded Mr. Massey by discussion in Parliament. As regards the Economic Conference, the preparatory work which has been undertaken in the Mother Country (and of which the Press has kept the New Zealand public apprised) has given a most valuable lead to the Dominions, and should undoubtedly greatly facilitate the proceedings of the Conference.

\* It is understood that Mr. Massey will attend the Conference, though he may not arrive in time for the opening session.

# The Economic Situation

## III. THE ECONOMIC SITUATION

THE wonderful recuperative power of this small country has again been illustrated by the publication of a statement of the Dominion's finances for the year ended March 31, 1923, which shows a surplus of £1,315,683. The position as compared with the previous year is as follows:—

	1922-3	1921-2
Revenue .. ..	£27,579,443	£28,127,007
Expenditure .. ..	£26,263,760	£28,466,837
Surplus .. ..	£1,315,683	
Deficit .. ..		£339,830

The principal increases of revenue were as follows:—

Customs, £936,856; departmental, £416,009; beer duty, £153,230. Land tax shows a decrease of £96,314, and income tax £2,171,055. There was a decrease in the expenditure of £2,203,077 compared with the previous financial year, the principal decreases being: railways, £1,527,053; postal, £336,145; and defence, £222,629.

The foregoing figures show that a substantial surplus was realised, notwithstanding very heavy reductions in the revenue arising from land and income tax and railways. The effects of the financial depression are reflected in the reduced income tax and railway returns.

Mr. Massey in recent speeches referred to the great increase in our export figures, from £23,000,000 eight or nine years ago to £45,000,000 last year. He referred to the opinion expressed by him some years ago that if our exports went to £50,000,000 our troubles would end, and pointed out that with the increase in exports that mark would be exceeded. This year our produce from dairying was valued at £16,000,000, and there were still thousands of acres suitable for dairying that had not been used. The total trade figures for New Zealand had increased from 45 millions in 1913 to 82 millions for the past financial year. The imports for the same period had increased by 68 per

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cent., and the exports by 98 per cent. The wages in manufacturing industries had increased from 5½ millions in 1913 to 11½ millions in 1923.

Mr. Massey has definitely indicated the intention of the Government during the coming session to introduce proposals for the reduction of taxation to the extent of two millions or thereabouts. In particular, he has foreshadowed a substantial reduction in the rate of taxation on companies, and this reduction, if brought into effect, will afford a measure of relief where it is most urgently required. The strongest protests have been made against the continuation of a system of taxation which is deemed to operate oppressively and repressively as regards commercial enterprise.

Although the Prime Minister's recent utterances on the financial position have been optimistic, and he has, with reason, dwelt on the soundness of the Dominion's credit (as evidenced by the favourable terms on which the last loan was raised), there are many indications still abroad of the effects of the financial depression. The bankruptcy returns for 1922 show a total for that year of 695, as against 356 in the previous year, and 145 in 1920. The number last year was the largest since 1886 and 1887, when there were considerably more bankruptcies, but when the amounts involved did not compare with the aggregate liabilities last year. In considering the bankruptcy returns, regard should be had to the fact that the foregoing figures do not include private assignments and arrangements with creditors. Both those methods of dealing with cases of insolvency are extensively resorted to throughout New Zealand, and if the figures were available they would form a considerable addition to the actual bankruptcy returns, as would also the figures relating to company liquidations. It may be added that the monetary figures involved in the 695 bankruptcies for 1922 are not so great as might be imagined. The aggregate of the debts proved was £834,356; assets declared in statements filed (excluding amounts secured to creditors), £334,861; amounts secured to creditors,

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£1,498,819; amount of assets realised by the assignees, £126,145. It is interesting to note about the occupations represented in the foregoing figures that farmers were largely in the majority, there being 197 out of the total of 695. It is also interesting to note that, classified according to the amount of liabilities in each case, 349 of the bankruptcies had liabilities under £500; 160 from £500 to £1,000; 108 from £1,000 to £2,000; 50 from £2,000 to £5,000; and 28 over £5,000.

The conditions of trade throughout the Dominion are steadily improving, partly because of the increased returns from the country's primary products, particularly wool and dairy produce, and partly by reason of the great stability which now exists in market prices generally. The feeling of nervousness and uncertainty which prevailed a year or two ago is giving place to one of confidence which is steadily gaining in strength and imparting a healthier tone to the commercial life of the community.

At the same time there are still great numbers of people, both manual workers and those dependent on fixed incomes, on whom the continued high cost of living is bearing oppressively, and who must find it impossible even with the strictest economy to make provision for anything beyond current necessities. Apart from that aspect, there must still be a comparatively large number of traders and farmers who have not yet extricated themselves from the precarious position in which they were placed consequent upon the depression, and it is not to be supposed that because there is a marked improvement in trade conditions, the commercial community has finally weathered the storm. It is, however, reasonably certain that with no serious set-back occurring in the measurable future the country will soon readjust itself. One of the greatest obstacles to readjustment is the mischief created by the inflated values of farming and dairy lands, particularly in the North Island. Many of those who bought in at high prices have averted ruin solely through the forbearance of

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their mortgagees, many of whom have (in cases where the mortgage was given to secure unpaid purchase money) been obliged to make substantial concessions in their own interests as well as in those of the mortgagors. In certain districts where the position was acute, the Government endeavoured to some extent to facilitate arrangements of that character between mortgagees and mortgagors by releasing a specially qualified official to conduct negotiations and offer advice, and the result was satisfactory, so far as it went. The continued operation of the moratorium has also been an important factor in easing the position of mortgagors generally.

The spectre of unemployment has, as might be expected, been rearing its head to a greater extent than usual. Last winter the unemployment figures increased very rapidly, and the position was met fairly satisfactorily by commendable activity on the part of the Government in providing outlets for additional labour in the shape of special road and other works, and on the part of local authorities in the main centres of population by raising special funds to enable various relief works to be carried out by the surplus men available. The winter upon which we are now entering promises to bring with it a recurrence of the problem of last year, though probably not in so acute a form. One of the most serious features of the matter, from the point of view of national efficiency, is that a large proportion of the unemployed are unskilled men who are also in many cases not fit for heavy work and in many other cases are not willing to leave the centres of population. Side by side with the surplus of unskilled workers we have in some trades an actual shortage of skilled workers. The following statement in support of that fact was issued within the past few days by the Central Progress League at Wellington, which has taken more than a casual interest in the unemployment problem :—

The great difficulty was always the unskilled men who were not fit for heavy work. While these men were walking about looking

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for work, not one competent tradesman had called at the League's office, and some trades were very short of skilled workers. There were far too many casual workers and not sufficient tradesmen, which meant a great loss in national efficiency, together with distress and want among the unskilled workers and their dependants. Every pathetic appeal that was made for light unskilled work brought home to one the social and economic neglect in not providing for, and even insisting on, many more of these men learning trades.

The problem of the unskilled man, which has been brought into prominence by the prevalence of unemployment, goes hand in hand with another problem which for several years past has increasingly exercised the minds of all thinking people, namely, the general dearth of apprentices in the skilled trades of the Dominion. Whether the avoidance of the skilled trades is due on the one hand to the tendency of our education system to encourage boys to seek more genteel occupations, or on the other hand to the opportunities that have been afforded boys in recent years of earning at unskilled work far greater wages than they would receive as apprentices, the fact remains that apprentices are few in most trades and almost non-existent in many. In dealing with the matter the *New Zealand Herald* (April 5, 1923) states the position thus :—

Dissatisfaction with the present-day preference of both parents and children for "white collar" occupations is heard whenever the educational authorities discuss the working of the system. On the other side, men in touch with industrial life equally deplore the degree to which the earlier attainment of wages beyond a pittance attracts boys into unskilled occupations. Between the two the trades requiring an extended period of training to acquire skill seem to be starved of recruits. It will not be seriously questioned that a good, sound primary education should be the minimum for the boy who would be a skilled craftsman. Yet reports from the Education Department show that whereas 20 per cent. of those who leave school before passing the sixth standard learn trades, only 9 per cent. of those with that qualification do so. It is hardly likely that pupils hasten to leave school in order to begin learning a trade. The more probable conclusion is that boys having passed the sixth standard are not contented to become skilled artisans. They find some other career more attractive.



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A concrete illustration of the position of certain trades was given within the past few weeks before the Conciliation Council, when it had under consideration the dispute between the carpenters and joiners and the master builders. The union representative pointed out that whereas some 2,500 parties were cited by the union in the matter of the dispute, and each had a right to at least one apprentice, there were throughout the Dominion to-day not more than 500 apprentices. Whilst that position may in some measure be due to the defects in the present conditions of apprenticeship, it reveals a state of affairs calling for urgent remedy. The Government has for some time past been taking definite action in the matter in consultation with educationists as well as employers and employees, and is promoting legislation during the coming session to deal in a comprehensive manner with the law relating to apprentices. Details of this proposed legislation are not yet available, and are being awaited with considerable interest.

### IV. HOUSING

THE various schemes embarked upon by the Government during the past few years in the direction of providing homes for the people have achieved only partial success in dealing with what is still an urgent and pressing problem. During the past year there has been greatly increased activity in the building trade, and a marked increase in the number of dwellings erected by private enterprise. The supply of houses in the main centres is still hopelessly inadequate to meet the demand, and the conditions under which many families are living, by reason only of the lack of proper accommodation at rentals within their means, are such as to call for urgent remedy. Much prominence was given recently to the state of affairs in Auckland, our largest centre of population, through the publication of the result of investigations made by a special



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committee (comprising leading social workers) set up by the Council of Christian Congregations in that city to inquire into the housing conditions.

One speaker, in describing instances of overcrowding, stated that 1,000 to 2,000 new houses were wanted in that particular city. Another prominent social worker declared that there were not merely hundreds but thousands of cases of overcrowding, and that the evil was not confined to the poorest class, but had now spread even to those able to pay for decent accommodation, but unable to obtain it.

The latest proposal made by the Government to relieve the situation is to extend the operation of the State Advances to Workers and Settlers scheme by providing for advances to individual borrowers for the erection of homes on specially liberal terms. The State Advances Office has been of inestimable benefit to the people of this country for many years. Loans are granted on an instalment repayment system ranging from 20 to 36½ years, interest being charged at the low rate of 4½ per cent. By this means thousands of people have been enabled to procure their own homes, the payments required of them under their mortgages being equivalent to a very moderate rent. The system as hitherto applied, however, presupposes the ownership of a certain amount of capital to begin with, as a fair margin of security based on conservative Government valuations is insisted on. Mr. Massey's new proposal, which is not to interfere with but to be supplementary to the existing system, is that loans will be granted to the extent of 95 per cent. of the outlay in purchasing a section and building a house thereon. He has definitely promised to introduce legislation along those lines and to have it disposed of at the beginning of the session. The proposal is expected to find general support, for although the Government is bound to incur loss in many cases owing to the negligible margin of security, it is safe to assume that the great bulk of borrowers will be able to maintain their

## New Zealand

instalment payments, and so steadily improve their own and the Government's position. The measure is on sound lines inasmuch as it encourages the idea of self-help, and past experience of the administration of the State Advances Office gives confidence that the new scheme will be wisely controlled. The adoption of such a scheme seems to imply an admission on the part of the Government of the failure of its previous attempts to meet the housing problem by erecting houses. Instead of providing the houses, it now intends providing the money for the erection of houses by the people themselves, and the new principle is undoubtedly the sounder one.

### V. THE LICENSING ISSUE

SINCE the failure of the Prohibition vote in November to reach the absolute majority required to bring it into operation, there have been certain developments which are calculated to have a far-reaching effect upon future polls. During the campaign prior to the last poll, a scheme of licensing reform short of Prohibition was propounded by certain members of the Auckland Diocesan Synod in response to a challenge thrown out by Prohibition members of the Synod that those who opposed Prohibition should produce some definite and drastic scheme of reform in proof of the honesty of their convictions. When publishing the original proposals, those responsible for them made a pledge that they would, in the event of Prohibition not being carried, exert every endeavour to bring the proposals before the country, and to have them carried into legislation. In pursuance of that pledge negotiations were opened by them which resulted in the holding of a conference at which there were present representatives of the Auckland Anglican Synod, the Associated Clubs, the Moderate League, the Brewers' Association, the Wholesale Wine and Spirit Merchants, owners of freehold hotel properties, and the

## The Licensing Issue

Licensed Victuallers' Association. This conference decided to form an association, to be known as the New Zealand Licensing Reform Association, with the object of carrying into effect the proposals agreed to by the conference. Such proposals are the promotion of legislation to eliminate the existing third issue of State Purchase and Control, and the substitution at the next licensing poll of a third issue to be called "Corporate Control," providing for the carrying into effect of a system of licensing reform, the principal characteristics of which are :—

(1) That the ownership of licensed premises, and the manufacture, importation, and wholesale distribution of alcoholic liquors be exclusively vested by Statute in a corporation.

(2) That all owners of hotel premises, holders of brewers' licences and wholesale licences shall be required at a date to be determined to sell their properties, and in the case of brewers' and wholesale licences their business as manufacturers and wholesale vendors to the Corporation.

(3) That the Corporation shall have a nominal capital divided into shares equivalent in amount to the value of the assets taken over, including in such amount a sum equal to three years' net profits actually earned by such businesses; the capital of the Corporation to be divided into A and B Shares (20 per cent. of the total being A shares and the remaining 80 per cent. B shares); the A shares to be allotted to the Government of New Zealand without any payment in cash, and to have an earning power equal to that of the B shares; provided that all dividends accruing on A shares shall be applied towards payment of the same, till such dividends reach in the aggregate the nominal value of the shares; thereafter such A shares and all dividends thereon to be the property of the Government; the B shares to be allotted to the vendors proportionately.

(4) That the profits of the business of the Corporation shall in each year be divided, but with a limit of 10 per cent., all profits over and above that limit to be applied to national purposes, such as extinction of National Debt, payment of hospital subsidies, construction and maintenance of public highways, etc.

(5) That the Corporation be under the sole direction of a board of nine, of whom the Government shall have the right to nominate a chairman and four other members, the B shareholders electing the other four, and that the constitution provides for a Government majority at all times on the board, thus ensuring the combination of business management with direct Government supervision.

## New Zealand

(6) That legislative power be given to the Corporation to act as the sole authority for the issue of permits to sell alcoholic liquors, subject always to the right of appeal before a magistrate.

(7) That the Corporation have no power to alter the total number of licences for the sale of liquor in licensed premises, nor the hours of sale, for the time being in force in the Dominion; and that the conditions under which permits are granted or continued for the sale of liquor in licensed premises shall be the maintenance of hotels at a high standard of conduct, and the provision of adequate accommodation to meet the requirements of the public.

(8) That the Corporation have power, on the termination of any lease, to grant a permit instituting the café system for the sale of light wines and beer where it may be deemed advisable to restrict the sale of spirits.

Whatever result may be reached by this new association in its efforts to secure legislation on the foregoing lines, its formation represents the first real attempt that has been made on the part of those interested in the licensed trade in liquor to shape a definite scheme of reform. The proposals may for that reason secure a measure of support from a section of the community who have of recent years voted for Prohibition not so much for its own sake as for the sake of showing that they were heartily tired of the abuses of the trade and its constantly dishonoured promises of reform.

A significant development arising contemporaneously with the foregoing is the combination of practically the whole of the brewery interests in the Dominion in a company with a capital of £1,500,000 which has been floated under the name of the New Zealand Breweries, Ltd., and has offered its shares to the public for subscription.

It is probable that licensing legislation will not be introduced by the Government this year, but will be reserved for the following session. In the meantime the indications are that a strong effort will be made by the promoters to shape public opinion along the lines of the elaborate scheme of reform outlined above. In common with other parts of the world, New Zealand is watching the American experiment with keen interest, and it is safe to

## The Licensing Issue

say that its success or failure will largely determine the issue in this country.

New Zealand. June 10, 1923.

### *Postscript*

Since this article was written Parliament has met, being opened on June 14. The Opposition speakers, both Liberal-Labour and Labour, have demanded that the House of Representatives have the opportunity of discussing, in advance, important subjects which are likely to be brought before the Imperial Conference. The Liberal-Labour leader (Mr. Wilford) has mentioned particularly Defence and Preference; and the Labour leader (Mr. Holland) has referred to the status of the Dominions, the attitude of the Dominion to the League of Nations and the position in the Near East, in respect of which the Labour leader claimed that it should be clearly understood that New Zealand should not be dragged into war. Mr. Holland has further claimed that no secrecy should be allowed in respect of the policy to be pursued at the Conference, that Mr. Massey should go as a delegate and not as a representative with full powers, and that, failing an assurance to such effect, the Prime Minister should not be allowed to attend the Conference. Mr. Wilford, on the other hand, has merely allowed it to be inferred that the Prime Minister will receive a different consideration from the House if a discussion is permitted upon the Conference agenda paper.

The reply of the Government is, in effect, that the circumstances of the Prime Minister's mission are special and peculiar, that the subjects to be dealt with relate largely to foreign affairs and naval defence, and that a judgment can only be formed upon such matters after consideration of confidential memoranda and a free interchange of ideas and opinions in respect thereof. The Government admits, however, that it would be the duty of the Prime Minister to have the decisions made by him ratified by Parliament.

In short, the Government's plea is that Mr. Massey should not attend the Imperial Conference pledged to any particular line of policy, while the attitude of the Opposition is that the Prime Minister should have lines of policy laid down for him on what have been termed "front rank questions." The demand is for open diplomacy. It is made by a formidable Opposition, and there are indications that unless the Prime Minister accedes to this demand he will be unable to adjourn Parliament during the period of his absence, and consequently that he will not, himself, feel free to attend the Conference.

# Bellevue Hospital

NEW YORK, N. Y.

1890

REPORT OF THE  
COMMISSIONERS OF THE  
DEPARTMENT OF HEALTH  
IN RESPONSE TO A RESOLUTION  
PASSED BY THE COMMON COUNCIL  
MAY 15, 1889  
RELATIVE TO THE  
HOSPITALS OF THE CITY OF NEW YORK

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